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City & County of San Francisco

Comprehensive Annual Financial Report

For the Year Ended June 30, 2006

de Young Museum

Founded in 1895 in San Francisco's Golden Gate Park, the de Young museum has been an integral part of the cultural fabric of the city and a cherished destination for millions of residents and visitors to the region for over 100 years.

In October 2005, the de Young reopened in a state-of-the-art new building. Designed by the Swiss architecture firm Herzog & de Meuron and Fong & Chan Architects of San Francisco, the new de Young provides San Francisco with a landmark art museum. It showcases the museum's significant collections of American art from the 17th through the 20th centuries, art from the Pacific, Africa, Central and South America, contemporary art, photography, sculpture gardens, as well as an important and diverse collection of textiles.

Constructed of warm, natural materials including copper, stone, wood and glass, the new de Young blends in with and complements its natural surroundings. The building's dramatic copper facade is perforated and textured to replicate the impression made by light filtering through a tree canopy, creating an artistic abstraction on the exterior of the museum that resonates with the de Young's tree-filled park setting.

The northeast corner of the building features a 144-foot tower that gently spirals from the ground floor and aligns at the top with the grid formed by the streets of the Richmond and Sunset neighborhoods surrounding the park. A public observation floor offers panoramic views of the entire Bay Area.

Photo credit:
Photographer - *Mark Darley*
Credit - *Fine Arts Museums of San Francisco*

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Annual Financial Report
Year ended June 30, 2006

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Prepared by:
Office of the Controller

Edward Harrington
Controller

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CITY AND COUNTY OF SAN FRANCISCO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006

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Introductory Section

- Controller's Letter of Transmittal
- Certificate of Achievement – Government Finance Officers Association
- Certificate of Award – California Society of Municipal Finance Officers
- City and County of San Francisco Organization Chart
- List of Principal Officials

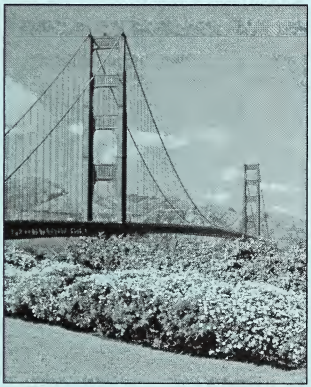

photo by: SF Convention & Visitors Bureau

December 20, 2006

The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
Citizens of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City or primary government) for the fiscal year ended June 30, 2006, with the Independent Auditor's Report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

The City is responsible for the accuracy of the data and for the completeness and fairness of its presentation. The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. I believe that the reported data is accurate in all material respects and that its presentation fairly depicts the City's financial position and changes to its financial position as measured by the financial activity of its various funds. I am confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

The City's Charter requires an annual audit of the Controller's records. The records have been audited by Macias Gini & O'Connell LLP and are presented in this CAFR. The CAFR also incorporates financial statements for San Francisco International Airport (SFO or Airport), the San Francisco Water Department (Water Department), Hetch Hetchy Water and Power (Hetch Hetchy), the Municipal Transportation Agency (MTA), the San Francisco Wastewater Enterprise (Wastewater), the Port of San Francisco (Port), the City of San Francisco Market Corporation (Market Corporation), the City and County of San Francisco Finance Corporation (Finance Corporation), the City and County of San Francisco Health Service System (Health Service System), the San Francisco City and County Employees' Retirement System (Retirement System), and the San Francisco Redevelopment Agency (Redevelopment Agency or Agency).

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) section of the CAFR. The MD&A provides a narrative overview and analysis of the Basic Financial Statements and is presented after the independent auditor's report.

The CAFR is divided into the following sections:

The Introductory Section includes information about the organizational structure of the City, the City's economy, major initiatives and status of City services.

The Financial Section includes the MD&A, Basic Financial Statements, notes to the Basic Financial Statements, and required supplementary information. The Basic Financial Statements include the government-wide financial statements that report on all City financial operations, including fund financial statements that present information for all City funds. The independent auditor's report on the Basic Financial Statements is also included.

The financial statements of several enterprise activities and of all component units of government are included in this CAFR. Some component units' financial statements are blended with the City's, such as: the San Francisco County Transportation Authority, the Finance Corporation, and the San Francisco Parking Authority. The reason for this is that the primary government is financially accountable for the operations of these agencies. In other instances, namely, for the Redevelopment Agency and the Treasure Island Development Authority (TIDA), financial reporting is done separately.

The Statistical Section includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB standards for reporting—Statement No. 44. This section may be of special interest to prospective investors in our bonds.

Profile of San Francisco's Government

The City and County of San Francisco was established by Charter in 1850 and is the only legal subdivision of the State of California with the governmental powers of both a city and a county. The City's legislative power is exercised through a Board of Supervisors, while its executive power is vested upon a Mayor and other appointed and elected officials. The most prominent services provided by the City include public safety and protection, public transportation, construction and maintenance of all public facilities, water, parks, public health systems, social services and planning. The heads of most of these departments are appointed by the Mayor and advised by commissions and boards appointed by City elected officials.

Elected officials include the Mayor, Members of the Board of Supervisors, Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer. Since November 2000, the eleven-member Board of Supervisors has been elected through district elections. The eleven district elections are staggered for five and six seats at a time, and held in even-numbered years. Board members serve four-year terms and vacancies are filled by Mayoral appointment.

San Francisco's Budgetary Process

The City adopts annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The budget is adopted at the character level of expenditure within each department, and the department level is the legal level of budgetary control. Note 2 (c) to the Basic Financial Statements summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

San Francisco's Local Economy

At 17,000 residents per square mile, San Francisco is the most densely populated forty-seven square miles in the state. The City is a cultural and economic hub for the Bay Area. It is undergoing substantial demographic and socioeconomic changes that represent challenges to and opportunities for its citizens and local government.

San Francisco continued its economic recovery for fiscal year 2005-2006, reaching an estimated gross level of economic activity (Gross City Product) of $56.47 billion.[1] A booming leisure-tourism sector and increased investment and transactions in local real estate markets contributed to this rebound. Tourism helped to improve the City's retail and hospitality sectors, which translated into greater hotel and sales tax revenues for City government. Real estate market investing in office and housing markets continued to further invigorate the construction sector, as well as increase property and transfer tax revenues.

Population

The California Department of Finance estimates the City's population in calendar year 2005 at 794,850, which represents a growth of 0.4 percent over the prior year. Population size affects some or our intergovernmental revenues, which in total make up 20 percent of all budgeted sources, or 28 percent of General Fund sources.

The City's population composition is changing, including a declining racial and ethnic diversity. Recent demographic evidence from the U.S. Census' American Community Survey 2005 finds substantial

[1] Source: Controller's Office of Economic Analysis.

numbers of Latinos and African Americans leaving San Francisco since 2000. Population trends can ultimately impact future uses of funds.

Employment

Net job creation of 6,300 (a 1.2 percent increase) took place in calendar year 2005. Recent growth reflects more value-added, new-economy jobs in professional services and life science technology, but employment declines in industrial, manufacturing, and information technology sectors. The unemployment rate in the City, which reached a peak of 7.9 percent in July 2002, has continued its decline to 4.6 percent, as of June 2006.[2]

The State of California 2006 metropolitan occupational survey, reports that the average annual wage in the San Francisco Metropolitan area rose by 2.6 percent, from $52,355 in the previous year to $53,727, whereas the median wage increased by 3.7 percent, from $41,190 to $42,703 during the same period.[3]

Housing Markets and Property Taxes

Residential property values in San Francisco continued to rise during the current fiscal year. The main reason for this trend is the constrained growth of the supply of housing relative to the increase in purchasing power of buyers. Consequently, transfer tax and property tax revenues increased strongly from the previous fiscal year.

As of June 2006, the median price for an existing home in California was $567,360. San Francisco has a comparable median price of $754,630 for the same period.[4] This represents a 4.1 percent increase over last year's median price for the City. Despite steady construction, including an estimated 2,142 new units in San Francisco during calendar year 2005, supply constraints continue to put upward pressure on prices.[5] Demand outpacing supply contributes to continuing declines in affordability.

In part due to these affordability hurdles and excess demand conditions, 65 percent of the City's residents rent their homes and only 35 percent own. While this proportion of owners and renters is substantially different from the national average of 69 percent owners and 31 percent renters, the City's share of owner and renter-occupied housing is comparable to other densely populated urban centers in the country such as New York City and Chicago.[6]

As of June 2006, the average occupancy rate for market-rate apartments in San Francisco was 96.4 percent, 0.3 percent higher than the same period in 2005. Average rental rates increased slightly in June 2006 to $1,936 per month, compared to $1,834 in the prior year - a 5.6 percent increase.[7]

As of June 2006, the average single family home's assessed valuation in the City stood at $404,000.[8] Average assessed valuations tend to be lower than market prices because of limits on the growth in taxable property values under California's Proposition 13, which provides an incentive to buy and hold property. Property tax revenues of $783 million are the single largest source of General Fund monies accounting for nearly one third of the City's total sources of General Funds. Property tax revenues grew 10.4 percent over 2005.

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[2] Source: State of California, Employment Development Department.
[3] Source: State of California, Employment Development Department. Recent county level data not yet reported. The median annual wage represents the level of income at which half of wage earners earned more, and the other half earned less.
[4] Source: California Association of Realtors.
[5] Source: California Association of Realtors.
[6] Source: National Bureau of Economic Research.
[7] Source: Real Facts.
[8] Source: Office of the Assessor, City and County of San Francisco.

On a related note, another major project under way during this fiscal year is the continuing construction at Rincon Hill. When the first of two Rincon Hill towers is finished, in the spring of 2008, it will rise 550 feet, and unit prices are expected to range from $600,000 for a small condo to $2.5 million for a three-bedroom unit at the top.

Commercial Real Estate

The performance of the commercial real estate sector is consistent with the economic recovery and increase in professional service jobs in the City. San Francisco's real estate office market continues to show improvement since June 2005, when the vacancy rate was 17.3 percent. The overall vacancy rate was 13.9 percent as of June 2006. This represents absorption of 19.7 percent of available space, or a net increase of 1.75 million square feet of newly rented space.

The average price for office space rose from approximately $28.68 to $33.60 per square foot, per year—a 17.2 percent increase—during the same period.[9] These market rents are still lower than the $65.88 average per square foot peak rents reached in the third quarter of 2000. We expect continued growth in office space occupancy because the City economy is producing jobs requiring the use of high-end office space.

Commercial sales activities contributed significantly to the City's transfer tax revenues which reached a peak of $131.3 million (including both commercial and residential) in fiscal year 2005-2006. While there were fewer major property transactions than in the past fiscal year, the square footage of space transacted was slightly larger than in 2005. In tandem with higher transaction prices per square foot, the net result was an increase in transfer tax revenue from all real estate transactions of 12.4 percent from the previous fiscal year.

On a related note, Westfield's San Francisco Centre's $460 million expansion, anchored by Bloomingdale's, was completed in August 2006. The San Francisco Business Times reports that the new retail mall near Union Square is the largest operating retail center in the Bay Area. It covers 1.5 million square feet of retail space dedicated to shopping, entertainment, personal and retail services, and even a higher education program—San Francisco State University's MBA Program.

Other Tax Sources

This fiscal year, payroll tax revenues rose 10.5 percent over the previous fiscal year, to $315.5 million. These increases reflect improved employment and wage growth. Hotel room tax revenues reached $179.5 million, a 13.6 percent increase over the previous fiscal year, reflecting a rebound in tourism.

Travel and Tourism

The City's Convention and Visitors Bureau estimates that 15.7 million people visited the City in calendar year 2005 and spent $7.37 billion, a 9.5 percent increase over calendar year 2004. On a related note, PKF Consulting reports that hotel occupancy rates averaged 76.7 percent in fiscal year 2005-2006, a 3.6 percent increase from the prior fiscal year. Additionally, average daily room rates increased 8.3 percent to $160.55, compared to $148.21 in the prior year.

Bookings and attendance for conventions in San Francisco have been strong, which impacts sales tax and hotel tax revenues favorably. According to the San Francisco Convention and Visitors Bureau, 2006 is on track to exceed 2005 room night numbers. Increasing international passenger traffic at SFO is another indication of the continuing growth in tourism and travel. A total of 4.09 million international travelers flew into SFO, a 4.3 percent increase over the last fiscal year. Qantas, Air Canada, Song, Air New Zealand and Independence have either begun or expanded service to more cities from SFO. As of June 2006, a total of 16.5 million passengers arrived at SFO, representing 1.5 percent more passengers

[9] Source: Cushman & Wakefield, Inc.

than the prior fiscal year, and signaling continued recovery in air travel demand to and from San Francisco.

Cruise ship calls to San Francisco have quadrupled since 2004, from 12 to 49, and passengers arriving to the City by cruise ship increased to 137,000 passengers through June 2006. This represents nearly 50,000 more passengers than the same period one year prior. By the end of calendar year 2006, the Port is projecting total passenger volume increases of 14 percent over calendar year 2005 levels.

Improving Bond Ratings

The City's fiscal health continued to improve over the last fiscal year. This was reflected favorably through investment grade bond ratings on City municipal debt. Moody's and Fitch Ratings both upgraded their outlooks on general obligation municipal debt issue by the City in 2006 from "stable" to "positive" in 2005. Additionally, Fitch noted our financial management exhibited "spending restraint and conservative budgeting that has resulted in increased year-end reserves."[10] These results translate into lower debt financing costs, of particular importance to planned capital projects. Voter approval must be obtained in the coming years to fund most of the capital projects noted in the 10-Year Plan.

City Government Initiatives and Updates

A number of significant initiatives, outlined below, are underway in San Francisco that will have a positive effect on the City's economic health and its ability to provide services to residents and businesses.

City and County of San Francisco 10-Year Capital Plan

In May 2006, the City introduced for the first time in its history a 10-Year Capital Plan (the Plan). Total investments of $15.6 billion are planned for the period between fiscal year 2006-2007 and fiscal year 2015-2016. The Plan included detailed expenditures of $3.3 billion toward General Fund items such as health care, criminal justice, streets and right-of-ways, recreation and parks, the arts, fire protection and emergency response. $2.3 billion of these funds would be expended in projects during the first five years. It also calls for $12.3 billion in enterprise department funding, including $7.2 billion for public utilities, $3.6 billion for municipal transportation, $1.1 billion for Airport projects, and $414 million for infrastructure projects at the Port. The Plan was approved by the Board of Supervisors on June 20, 2006.

San Francisco Redevelopment Agency: Bayview Hunter's Point Redevelopment Plan

The Bayview Hunters Point Redevelopment Plan calls for 2.4 million square feet of commercial, retail, industrial and residential floor space. It is expected to yield over 5,500 jobs and approximately 3,700 net new dwelling units supported by institutional, utility and transportation networks and by a multitude of mitigation plans and alternatives over the next 30 years. Dramatic zoning and infrastructure changes will soon begin transforming the landscape of the 1,575 acres of redevelopment project area.[11]

The Environmental Impact Report for projects to come in the Bayview Hunter's Point Redevelopment area was completed in February 21, 2006, and approved by the Redevelopment Agency on March 7, 2006. The Board of Supervisors passed an ordinance on June 1, 2006 clearing the way for the Agency to move forward with its redevelopment and rezoning plan.

[10] Mayor's Office of Public Finance and Fitch Ratings, September 2006.
[11] Bayview Hunters Point Redevelopment Project, February 28, 2006.

Port of San Francisco

The Port has many ongoing projects in planning and development stages[12]:

- Piers 27-31 Mixed Use Recreation Project,
- Piers 1½ -3-5 Historic Rehabilitation Project,
- Piers 15-17 Exploratorium and Rincon Park Restaurants,
- Bryant Street Piers (Piers 30-32 and Seawall Lot 330) Cruise Terminal and Mixed-Use Development,
- Brannan Street Wharf, Pier 70 Area, and Pier 90 - 94 Backlands.

The Port Authority's 10-Year Capital Plan identified a total of $1.2 billion primarily for deferred maintenance and seismic upgrade work required for Port facilities over the coming decade to finance all of the above improvements. Of that total, they expect $414 million of the funding to come from Port tenants, the Port's operating budget, revenue bonds, development projects and Infrastructure Financing District bonds. The remainder continues to be unfunded and deferred.

Treasure Island Development Authority

TIDA has completed various aspects of the proposed redevelopment project for Treasure Island, including plans addressing land use, open space, affordable housing, infrastructure, transportation, community facilities, fiscal impact, phasing and jobs and equal opportunity programs. The proposed project includes 1,800 affordable housing units and 4,200 market-rate dwellings. Total land development costs are estimated at approximately $1.2 billion and the proposed plan has estimated the following sources of funding for capital improvements:

- $498 million in private capital from the Treasure Island Community Development, LLC,
- $361 million in Mello-Roos (tax-exempt) bonds, and
- $338 million in projected tax increment financing.

In May 2006, the Treasure Island Community Development, LLC, the City's venture partner in TIDA, presented to the Land Use and Economic Development Committee of the Board of Supervisors a revised draft of the Treasure Island Transportation Plan. The plan proposes a mix of transportation modes and systems that may mitigate additional traffic congestion from the dramatic increase in the Islands' resident population.

Third Street Light Rail Project

The first stage of the Third Street Muni Metro light rail service will extend south from the current terminal at Fourth and King Streets along Third Street and Bayshore Boulevard, ending at the Bayshore CalTrain Station in Visitacion Valley. Track work has been completed in the center of the street to improve the safety and reliability of the service along the 19 stops. This phase of the light rail project is expected to open for service in spring of 2007.

A second, not yet funded, phase of the project would extend light rail service north from King Street along Third Street, entering a new Central Subway near Bryant Street, crossing beneath Market Street and running under Stockton Street to Clay Street. Underground subway stations will be located at Moscone Center, Market Street, Union Square and Clay Street in Chinatown. Muni and the City are actively pursuing funding for the Central Subway.

[12] Source: City and County of San Francisco Capital Plan FY 2007-2016.

Toward Universal Health Care: Health Care Access Program

In 2005, approximately 82,000 San Francisco residents lacked health care insurance coverage on any given day. The Department of Public Health is planning a Health Care Access Program to address the problem of the lack of access to health care coverage by residents and workers in San Francisco. The program's initial projected cost approximates $198 million, and its implementation is expected to be phased in fiscal year 2007-2008. Funding for the program will be achieved by reallocating funds from current uses. In addition, employers' contributions to employee health care spending accounts may be instituted to supplement funding of this program.

San Bruno Jail

In August 2006, San Francisco opened its newest jail facility in San Bruno. This modern site houses up to 768 inmates in a safer and more humane environment and replaces County Jail #3, a facility built in the 1930's. Certificates of participation with a final maturity of 2033 funded the $137 million project.

311 Call Center

The City's goal of developing and deploying an easily accessible, centralized call center for City residents to channel customer service and information requests is soon to be a reality. The 311 Call Center will provide a single point of contact for all non-emergency City services, and allow customers to call one easy-to-remember number to receive information and access City services. When fully implemented, it will be staffed 24 hours a day, 7 days a week. Trained customer service representatives from all City departments will be available to respond to residents' needs for City services. The 311 Call Center will go live in the spring of 2007.

Affordable Housing and Homeownership Program

The Affordable Housing and Homeownership Programs were created to provide the City's homeless, seniors, and low- and moderate-income families with affordable dwellings. During the two-year fiscal periods ending 2003 to 2005, a total of 1,277 units were completed. For fiscal year 2005-2006, an additional 240 units were completed. Two ordinances were passed by the Board of Supervisors during fiscal year 2005-2006, expanding and increasing the inclusionary housing affordability program requirements on market-rate development to apply to any development with five or more units, where below-market rate units must comprise at least 15 percent of the units developed onsite, or 20 percent of units developed off-site, or pay an in-lieu fee to otherwise satisfy the requirements. Previously, these thresholds were applicable to developments with ten or more units, where 12 percent of on-site or 17 percent of off-site units had to be priced below-market. These initiatives promise to yield even a greater number of affordable housing units in the coming years.

Homeless Housing Outreach Efforts

Project Homeless Connect is a landmark service program that links community volunteers and health and human services and programs with the homeless and indigent. It originated in San Francisco in 2004 and has been so successful that it has been emulated in thirty-two cities across the United States. As of June 2006, 18,107 volunteers have provided services to more than 12,000 homeless clients. The main goal of this program is to transition the City's homeless off the streets and into permanent, supportive housing.

San Francisco Connect

Project Homeless Connect has evolved and led to the formation of San Francisco Connect. This diverse partnership of agencies with different goals have come together to serve not just the needs of the homeless and the indigent, but also support services for City residents at large, and for youth and families. As of August 2006, a dozen San Francisco Connect events have taken place in which corporate

and community volunteers have provided goods and services to over 24,000 persons. One example is Project Green Connect, where volunteers can improve neighborhood parks, street gardens and other public spaces.

Disaster Preparedness

Over the past year, the City has increased its emergency planning and preparedness activities by expanding the size and role of the City's Disaster Council, developing a Bay Area Regional Preparedness Plan, and implementing the San Francisco's new Emergency Notification Plan, known as SF Alert. Under the expanded Council, the City's leaders in emergency preparedness met together to manage the City's Homeland Security grants, update the City's emergency planning documents, and participate in training exercises. Over the past year, the City has managed Homeland Security grants totaling $85.6 million, of which $20.8 was received in fiscal year 2005-2006 to fund planning, training, equipment, and disaster recovery activities. The City has updated its emergency operations plan and continues to conduct simulations and exercises for its emergency workers to prepare for natural and manmade disasters. Comprehensive and redundant back-up systems are being developed to secure financial data so that checks can be issued to City employees and vendors. City staff is trained to abide by federal emergency reimbursement guidelines to ensure damage is assessed accurately, costs are quantified, and reimbursement claims are filed. Alternate operation centers are established in the event City offices become inaccessible.

The Bay Area Regional Response Plan has been developed, under the leadership of the San Francisco Office of Emergency Services. The new plan includes ten Bay Area counties and the cities of Oakland, San Francisco and San Jose. The plan enables the region to effectively respond to a major disaster, comply with the national requirements for incident command structures, integrate communications, information sharing, transportation, regional care and shelter, and coordinate fire and search and rescue efforts.

San Francisco's new emergency notification system enables the City's first response command staff to be alerted and assembled within minutes of a disaster. Also, it delivers a consistent message to all pertinent staff within minutes, and reduces the need for manual notification.

San Francisco General Hospital Medical Center

San Francisco General Hospital Medical Center, like all acute care hospitals in California, is required under state law to make the hospital seismically safe or face closure after 2013. In fiscal year 2005-2006, the City funded a $1.1 million environmental impact report and began to conduct a feasibility study to rebuild the hospital. The City has budgeted $12 million in fiscal year 2006-2007 towards pre-development costs to more accurately project costs for the new hospital to be able to fully inform voters who will need to approve the bonds necessary to complete the project. A general obligation bond will be needed to fund construction.

Laguna Honda Hospital

In fiscal year 2005-2006, the replacement of Laguna Honda Hospital began. There are five buildings that will be affected and completion of the buildings is expected between July 2008 through September 2009. Residents are expected to move into the Link and South buildings in November 2008.

Awards

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Finance Report (CAFR) for the fiscal year ended June 30, 2005. This was the twenty-fourth consecutive year (fiscal years ended June 30, 1982 – 2005) that the City has achieved this prestigious award. In

order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

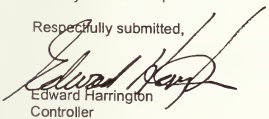
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the Award for Outstanding Financial Reporting, issued by the California Society of Municipal Finance Officers (CSMFO) for its CAFR for the fiscal year ended June 30, 2005. The award was issued in recognition of the City meeting the professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the report was prepared.

Acknowledgements

I would like to express my appreciation to the entire staff of the Controller's Office whose professionalism, dedication, and efficiency are responsible for the preparation of this report. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support during the audit. Finally, I want to thank the Mayor and the Board of Supervisors for their interest and support in planning and conducting the City's financial operations.

Respectfully submitted,



Edward Harrington
Controller

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of San Francisco

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 24, 2006

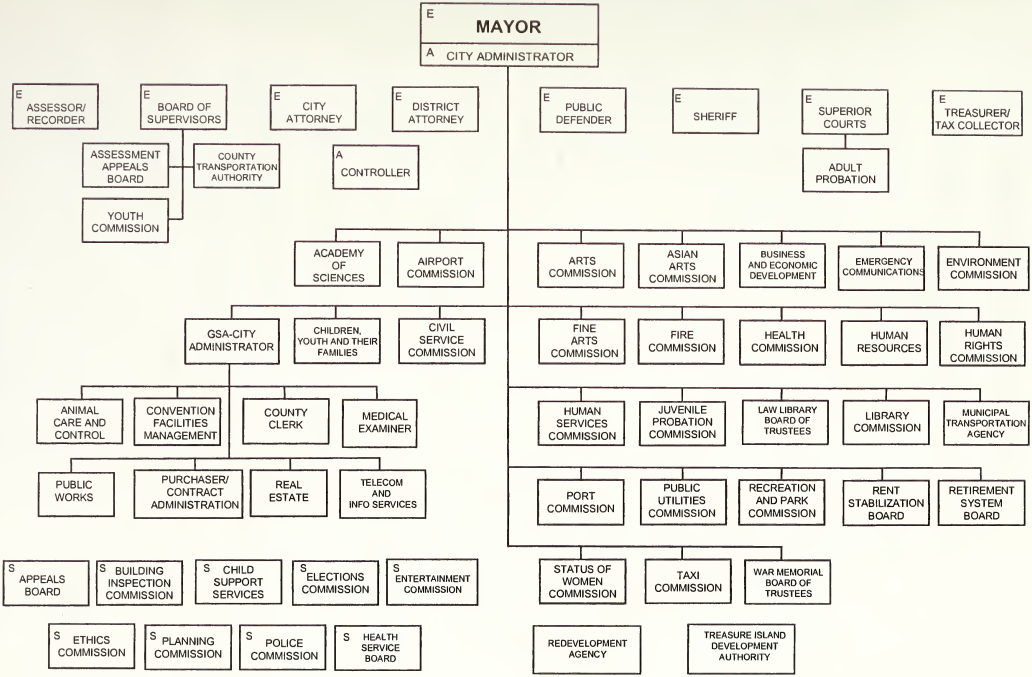
William J. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

City and County of San Francisco Organization Chart

(As of June 30, 2006)



A Appointed by Mayor and confirmed by Board of Supervisors
E Elected
S Shared - appointed by various elected officials

List of Principal Officials
As of June 30, 2006

ELECTED OFFICIALS

Mayor	Gavin Newsom
Board of Supervisors:	
President	Aaron Peskin
Supervisor	Michela Alioto-Pier
Supervisor	Tom Ammiano
Supervisor	Chris Daly
Supervisor	Bevan Dufty
Supervisor	Sean Elsbernd
Supervisor	Fiona Ma
Supervisor	Sophie Maxwell
Supervisor	Jake McGoldrick
Supervisor	Ross Mirkarimi
Supervisor	Gerardo Sandoval
Assessor-Recorder	Phil Ting
City Attorney	Dennis J. Herrera
District Attorney	Kamala D. Harris
Public Defender	Jeff Adachi
Sheriff	Michael Hennessey
Superior Courts	
Presiding Judge	Robert L. Dondero
Treasurer	José Cisneros

APPOINTED OFFICIALS

City Administrator	Edwin M. Lee
Controller	Edward Harrington

DEPARTMENT DIRECTORS/ADMINISTRATORS

Administrative Services	Darryl M. Burton
Animal Care and Control	Carl Friedman
Consumer Assurance	David Frieders
Convention Facilities Management	John Noguchi
County Clerk	Nancy Alfaro
Chief Medical Examiner	Amy P. Hart, M.D.
Purchaser – Office of Contract Administration	Naomi Kelly
Real Estate	Amy Brown
Academy of Sciences	J. Patrick Kociolek, Ph.D.
Adult Probation	Arturo Faro (Acting)
Aging and Adult Services	Anne Hinton
Airports Commission	John L. Martin
Appeals Board	Robert H. Feldman

CITY AND COUNTY OF SAN FRANCISCO

DEPARTMENT DIRECTORS/ADMINSTRATORS *(Continued)*

Arts Commission	Richard Newirth
Asian Arts Commission	Emily J. Sano
Building Inspection Commission	Amy Lee (Acting)
Board of Supervisors	Gloria L. Young
Assessment Appeals Board	Dawn Duran
County Transportation Authority	José Luis Moscovich
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Margaret Brodkin
Civil Service Commission	Kate Favetti
Economic and Workforce Development	Jesse Blout
Elections Commission	John Arntz
Emergency Communications	Pamela Katz (Acting)
Ethics Commission	John St. Croix
Environment Commission	Jared Blumenfeld
Fine Arts Commission	John E. Buchanan, Jr.
Fire Commission	Joanne Hayes-White
Health Commission	Mitchell H. Katz, M.D.
Human Resources	Philip A. Ginsburg
Human Rights Commission	Virginia Harmon
Human Services Commission	Trent Rohrer
Juvenile Probation Commission	William Siffermann
Law Library Board of Trustees	Marcia Bell
Library Commission	Luis Herrera
Municipal Transportation Agency	Nathaniel P. Ford, Sr.
Planning Commission	Dean Macris (Acting)
Police Commission	Heather Fong
Port Commission	Monique Moyer
Public Utilities Commission	Susan Leal
Public Works	Fred V. Abadi, Ph.D.
Recreation and Park Commission	Yomi Agunbiade
Rent Stabilization Board	Delene Wolf
Retirement System Board	Clare M. Murphy
Status of Women Commission	Emily Murase
Superior Court	Gordon Park-Li
Taxi Commission	Heidi Machen
Telecommunications and Information Services	Chris Vein
War Memorial Board of Trustees	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNITS

Redevelopment Agency	Marcia Rosen
Treasure Island Development Authority	Joanne Sakai (Acting)

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Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

photo by: SF Convention & Visitors Bureau

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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Walnut Creek, CA 94596

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071

402 West Broadway, Suite 400
San Diego, CA 92101

The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
City and County of San Francisco

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of San Francisco, California (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco International Airport, Water Department, Hetch Hetchy Water and Power, San Francisco Municipal Railway, the Parking Garage Corporations, Wastewater Enterprise, Port of San Francisco, City of San Francisco Market Corporation, City and County of San Francisco Finance Corporation, Employees' Retirement System, Health Service System, and the San Francisco Redevelopment Agency, which collectively represent the following percentages of assets, net assets/fund balances and revenues as of and for the year ended June 30, 2006:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues
Governmental activities	1%	11%	0%
Business-type activities	96%	95%	70%
Discretely presented component units	100%	97%	94%
Municipal Transportation Agency enterprise fund	97%	100%	93%
Aggregate remaining fund information	89%	91%	42%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors. The prior year partial and summarized comparative information has been derived from the City's 2005 basie financial statements and, in our report dated December 29, 2005, we expressed unqualified opinions, based on our audit and the reports of other auditors, on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and diselosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial or summarized prior year comparative information. Such prior year information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2005, from which such partial or summarized information was derived.

The management's discussion and analysis and schedules of funding progress listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

Macias Gini & O'Connell LLP
Certified Public Accountants
Walnut Creek, California

December 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as 2004-2005 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the 2005-2006 basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately $6.21 billion (net assets). Of this amount, $464.6 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net assets increased by $438.5 million or 7.6 percent, during fiscal year 2005-2006, more than doubling the $148.8 million increase at the end of the prior fiscal year. This year's growth is due to primarily to an 11.5 percent rise in total revenues while overall expenses grew slightly less than 7.2 percent.

- Net assets for the City's governmental activities increased by $293.5 million, or 19.6 percent, at the end of fiscal year 2005-2006, continuing the trend of the prior fiscal year when governmental activities net assets increased by $194.3 million.

- At June 30, 2006, the City's total ending fund balance for governmental funds increased by $247.3 million, or 23.2 percent, to approximately $1.32 billion. Within this total, $190.2 million, 8.0 percent more than last fiscal year, is unreserved and available for spending at the government's discretion within the purposes specified for the City's funds. This improvement was consistent with the City's improved economy and supported by significant increases in revenues including: property, business and other local taxes, interest and investment income, state grants, and charges for services.

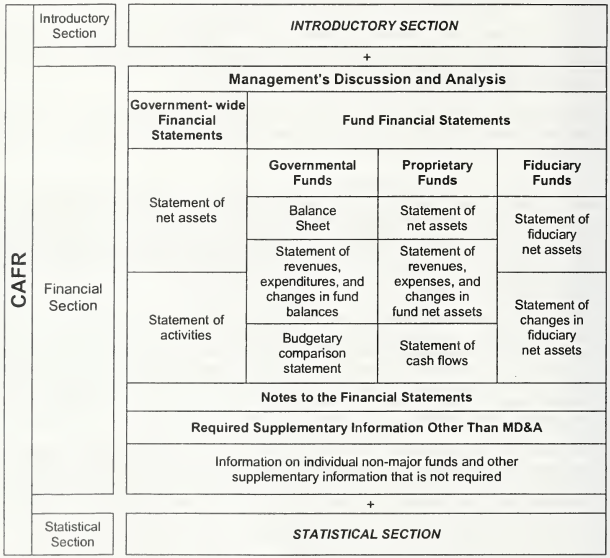
- The City's General Fund had an unreserved fund balance of $139.0 million at the end of fiscal year 2005-2006, a $4.8 million increase over the previous fiscal year, and the total fund balance was $461.3 million, a 50.0 percent increase over the previous fiscal year. This growth was primarily due to increasing revenue related to property taxes, business taxes, other local taxes, state and federal grants, and charges for service, coupled with only a 1.2 percent increase in expenditures this year. Due to the strong revenue growth, the City increased the General Fund's "rainy day" reserves by $73.8 million, to a total of $122.0 million as of June 30, 2006.

- The City's total long-term debt, including all bonds, loans, commercial paper and capital leases increased by $473 million during fiscal year 2005-2006. This included issuance of general obligation bonds for the following capital improvement projects: $79.4 million for the Academy of Sciences, $29.2 for Steinhart Aquarium, $34.0 million for Branch Libraries, $7.5 million for the Zoo, and $69.0 million towards the re-building of the Laguna Honda Hospital. The City also issued $507.8 million in revenue bonds to improve and re-build the City's water system and retire commercial paper outstanding. In addition, this year the San Francisco International Airport and the San Francisco Water Department issued $467.0 million and $110.1 million, respectively, in revenue refunding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves. These various elements of the Comprehensive Annual Financial Report are related as shown in the graphic below.

Organization of City and County of San Francisco Comprehensive Annual Financial Report



The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general City responsibilities. The business-type activities of the City include an airport, port, public transportation systems (including parking), water and power operations, an acute care hospital, a long-term care hospital, sewer operations, and a produce market.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, the San Francisco Redevelopment Agency, and a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements - i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annually appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers - either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), Port of San Francisco (Port), San Francisco Water Department (Water Department), Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Transportation Agency (MTA), Laguna Honda Hospital, San Francisco General Hospital Medical Center, and the San Francisco Wastewater Enterprise (Wastewater), all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
June 30, 2006 (in thousands)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	$ 2,073,433	$ 1,942,426	$ 2,162,036	$ 1,757,114	$ 4,235,469	$ 3,699,540
Capital assets	2,674,862	2,371,726	8,529,054	8,417,813	11,203,916	10,789,539
Total assets	4,748,295	4,314,152	10,691,090	10,174,927	15,439,385	14,489,079
Liabilities:						
Long-term liabilities outstanding	2,138,652	2,017,494	5,701,283	5,319,853	7,839,935	7,337,347
Other liabilities	815,025	795,576	577,374	587,595	1,392,399	1,383,171
Total liabilities	2,953,677	2,813,070	6,278,657	5,907,448	9,232,334	8,720,518
Net assets:						
Invested in capital assets, net of related debt	1,438,010	1,159,696	3,438,397	3,391,450	4,876,407	4,551,146
Restricted	428,646	541,853	437,366	429,990	866,012	971,843
Unrestricted (deficit)	(72,038)	(200,467)	536,670	446,039	464,632	245,572
Total net assets	$ 1,794,618	$ 1,501,082	$ 4,412,433	$ 4,267,479	$ 6,207,051	$ 5,768,561

Analysis of Net Assets

Net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $6.2 billion at the close of the fiscal year 2005-2006.

The largest portion of the City's net assets reflects its $4.9 billion (79 percent) investment in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. This percentage is substantially the same as in the prior two fiscal years. The City uses capital assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for to pay these liabilities.

Another portion of the City's net assets, $866.0 million (14 percent) represents resources that are subject to external restrictions as to how they may be used. The remaining balance, unrestricted net assets, $464.6 million (7 percent) may be used to meet the government's ongoing obligations to citizens and creditors. Together, these categories of net assets totaled 21 percent in fiscal year 2005-2006, essentially equivalent to the prior year's percentage.

At the end of the fiscal year 2005-2006, the City had positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities. For the governmental activities, unrestricted net assets have a deficit of $72.0 million related in part to $125 million in debt from general obligation bonds for the San Francisco Unified School District and San Francisco Community College District, which are recorded with no corresponding assets.

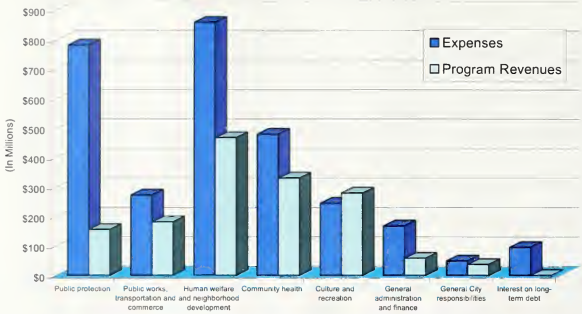
Changes in Net Assets
Year Ended June 30, 2006 (in thousands)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	$ 399,265	$ 351,029	$ 1,714,488	$ 1,683,830	$ 2,113,753	$ 2,034,859
Operating grants and contributions	859,919	834,607	188,672	180,807	1,048,591	1,015,414
Capital grants and contributions	248,329	55,435	110,403	93,724	358,732	149,159
General revenues:						
Property taxes	1,016,220	920,314	-	-	1,016,220	920,314
Business taxes	323,153	292,763	-	-	323,153	292,763
Other local taxes	595,664	538,085	-	-	595,664	538,085
Interest and investment income	71,129	29,490	53,161	33,268	124,290	62,758
Other	56,022	47,153	272,873	237,102	328,895	284,255
Total revenues	3,569,701	3,068,876	2,339,597	2,228,731	5,909,298	5,297,607
Expenses						
Public protection	780,642	738,688	-	-	780,642	738,688
Public works, transportation and commerce	272,397	213,335	-	-	272,397	213,335
Human welfare and neighborhood development	858,396	619,753	-	-	858,396	619,753
Community health	478,844	503,259	-	-	478,844	503,259
Culture and recreation	244,423	256,336	-	-	244.423	256,336
General administration and finance	167,490	152,850	-	-	167,490	152,850
General City responsibilities	49,054	59,024	-	-	49,054	59,024
Unallocated Interest on long-term debt	94,923	89,690	-	-	94,923	89,690
Airport	-	-	633,102	628,445	633,102	628,445
Transportation	-	-	695,593	711,733	695,593	711,733
Port	-	-	55,329	54,897	55,329	54,897
Water	-	-	213,584	197,848	213,584	197,848
Power	-	-	119,146	116,683	119,146	116,683
Hospitals	-	-	646,149	598,160	646,149	598,160
Sewer	-	-	160,701	160,650	160,701	160,650
Market	-	-	1,035	1,055	1,035	1,055
Total expenses	2,946,169	2,632,935	2,524,639	2,469,471	5,470,808	5,102,406
Increase/(decrease) in net assets before special items and transfers.	623,532	435,941	(185,042)	(240,740)	438,490	195,201
Special items	-	-	-	(46,358)	-	(46,358)
Transfers	(329,996)	(241,600)	329,996	241,600	-	-
Change in net assets	293,536	194,341	144,954	(45,498)	438,490	148,843
Net assets at beginning of year	1,501,082	1,306,741	4,267,479	4,312,977	5,768,561	5,619,718
Net assets at end of year	$ 1,794,618	$ 1,501,082	$ 4,412,433	$ 4,267,479	$ 6,207,051	$ 5,768,561

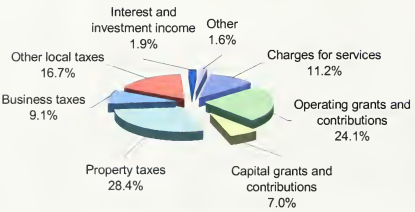
Analysis of Changes in Net Assets

The City's net assets overall increased by $438.5 million during fiscal year 2005-2006, compared to a $148.8 million increase last fiscal year. The governmental activities component of this change was a $293.5 million increase, a significant improvement from the prior year's increase of $194.3 million. The City's business-type activities' increase of $145.0 million was a $190.5 million improvement from the prior year's decrease of $45.5 million. This significant increase was due largely to positive net asset growth at the Airport, MTA, Hetch Hetchy, Wastewater, and Laguna Honda Hospital. A discussion of the changes in both governmental and business-type activities is presented on the following pages.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. Governmental activities increased the City's total net assets by $293.5 million during fiscal year 2005-2006, compared to a $194.3 million during fiscal year 2004-2005. Key factors contributing to this year's increase are as follows:

- Overall, governmental activities' revenue increased by approximately $500.8 million, expenses increased by $313.2 million, and net transfers increased by $88.4 million. This resulted in a net asset increase of $293.5 million for governmental activities at the end of fiscal year 2005-2006. The capital contribution for the City's new de Young Museum accounted for slightly more than $202 million of the revenue increase. This amount was almost offset by recognition of an increase of $218 million in loan allowances due to a change in accounting policy for the City's Low Income Housing program. Combined, the reporting of these two reporting events resulted in only a slight change in net assets in governmental activities.

- Property tax revenue increased significantly by $95.9 million or 10.4 percent during this fiscal year. Most of this growth, $73.3 million, stems from increasing assessment values and lower assessment appeals activity in an improving real estate market. Much of the remaining increase, $17.6 million, is related to State revenue shifts to local governments. For the City, this increase to property tax revenue had corresponding reductions to sales tax revenue ($10.2 million) and Vehicle License Fee revenue ($7.4 million). The remaining $5.0 million in growth represents taxes for voter-approved General Obligation debt.

- Business tax revenue increased $30.4 million or 10.4 percent, due largely to wage growth as well as moderate employment growth. San Francisco had 6,300 more jobs in calendar year 2005 as compared to calendar year 2004, representing an annual growth in jobs of 1.2 percent.

- Revenues from other local taxes, which includes real property transfer tax, hotel, sales, utility users and parking tax, had growth of $57.6 million or 10.7 percent. The economic recovery brought increased hotel occupancy and average daily room rates in the City, increased transfer tax revenues associated with increased property sales activity, improved sales and utility user tax collections as well as increased parking tax collections due to parking rate increases and economic recovery. The largest components of growth were hotel tax (up $21.6 million or 13.6 percent), real property transfer tax (up $14.5 million or 12.4 percent), local sales tax (up $8.4 million or 8.9 percent), utility user tax (up $3.9 million or 5.3 percent), and parking tax (up $3.1 million or 9.3 percent).

- Interest and investment income improved by about $41.6 million, or 141 percent, during the year primarily due to higher interest rates and average daily cash balances during the fiscal year. The earned yield on City pooled investments increased from 2.3 percent to 4.2 percent. In general, these returns reflect the City's concentration of investments in Treasury Bills and Notes and other short-term investments combined with increasing interest rates from the Federal Reserve. At the fiscal year end, deposits and investments for governmental activities with the City Treasury were $1,511.9 million, a 22.0 percent increase over the previous year.

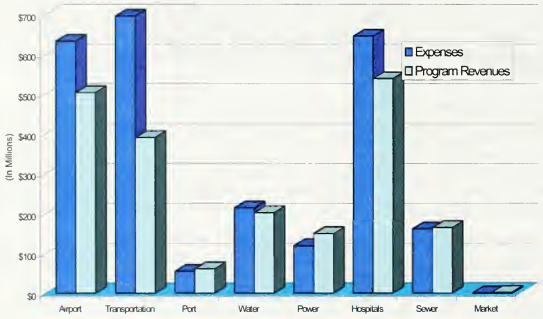
- The Capital contributions revenue significant increase of $192.9 million is primarily due to recognition of the City's newly rebuilt de Young Museum ($202.0 million less a decrease in capital grants of $9.1 million). This premier art museum opened early in 2005-2006 and was constructed with private funding through an independent non-profit corporation. The decrease of $9.1 million is largely due to decreases in federal grants for public protection, including homeland security funds.

- In 2005-2006 there was also a change in accounting policy regarding the reporting of long-term loan debt allowance expense for the City's Low Income Housing Program. The resulting increase in the allowance was $218 million and is included in human welfare and neighborhood development expenses. This amount almost offsets the increase in capital contributions, noted above.

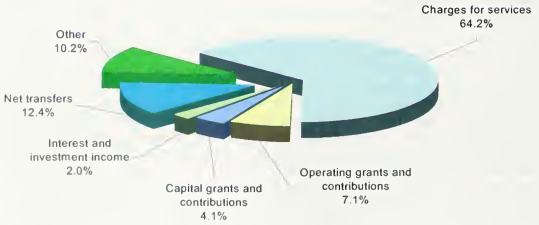
- Net transfers to business-type activities were $330.0 million in fiscal year 2005-2006, a net $88.4 million increase from the end of fiscal year 2004-2005. These transfers included a net increase of $52.3 to Laguna Honda Hospital related to support for re-construction of the hospital, a $65.6 million net increase to San Francisco General Hospital Medical Center related to the restructuring of local match requirements for State health funding, a decrease of $20.5 million to MTA resulting from a decrease in funding for transportation projects, a net decrease of $6.4 million in Airport transfers, and a $2.6 million dollar decrease in other transfers.

The charts shown previously illustrate the City's governmental expenses and revenues by function, and its revenues by source. As shown, human welfare and neighborhood development is the largest function in expense (29.1 percent), followed by public protection (26.5 percent), and community health (16.3 percent). General revenues such as property, business, and sales taxes are not shown by program, but are used to support program activities citywide. For governmental activities, property taxes were the largest single source of funds (28.4 percent) in fiscal year 2005-2006, as compared to 30.0 percent in fiscal year 2004-2005. In addition, operating grants and contributions were the second largest source of funds (24.1 percent) in fiscal year 2005-2006 down from 27.3 percent in fiscal year 2004-2005. The ratios for other revenue categories shifted only slightly since the prior fiscal year and were as follows for fiscal year 2005-2006; business taxes (9.1 percent), other local taxes (16.7 percent), and charges for services (11.2 percent). The slight decrease in some ratios is partly due to the increase in capital contributions this year which was previously discussed.

Expenses and Program Revenues - Business-type Activities



Revenues By Source - Business-type Activities



Business-type activities. Business-type activities increased the City's net assets by $145.0 million. A significant increase from the prior year decrease of $45.5 million. Key factors of this improvement are:

- The Municipal Transportation Agency (MTA) had net assets of $1.8 billion at June 30, 2006, an increase of approximately $53.0 million over the prior fiscal year. The total net assets include $1.76 billion (98 percent) for MUNI, the City's municipal railway. The remainder represents the combined net assets of the Department of Parking and Traffic and the Parking Authority. Between the end of fiscal year 2004-2005 and 2005-2006, MUNI's net assets increased by approximately $40.8 million, primarily due to continued work on the Third Street Light Rail Line, a major expansion project for the MUNI funded by federal, state and local capital contributions. MUNI's total operating revenues of $141 million were $13.7 million higher for fiscal year 2005-2006 over the prior year. Non-operating revenues increased about 8.8 percent, or $20.1 million, to $249.8 during this same period. This increase was primarily due to increases in parking fines revenues and state operating grants. The City's General Fund subsidy to the MTA for 2005-2006 totaled $161.8 million including $118.4 to MUNI and $43.4 million for the Department of Parking and Traffic, slightly more than the fiscal 2004-2005 amounts of $101.7 million and $36.1 million, respectively.

- Laguna Honda Hospital, the City's long term care hospital, had an increase to net assets of $68.2 million. This increase included $49.6 million in transfers from the non-major governmental funds which account for the Laguna Honda Hospital General Obligation Bond proceeds and capital project activity. In addition, the hospital received a $39.9 million transfer from the City's General Fund and $1.2 million from the San Francisco General Hospital Medical Center. This $90.7 million of inflow was offset by approximately $22.5 million in operating and non-operating losses, compared to last year's loss of $20.7 million.

- Hetch Hetchy, which operates the City's water storage and power generating facilities in the Sierra Nevada Mountains, increased total net assets by 11.2 percent or $41.6 million for fiscal year 2005-2006. Approximately $29.0 million of this increase is seen in increases to cash deposits and $9.0 million in current receivables. The latter includes a $4.8 million increase in a settlement receivable from litigation with Pacific Gas & Electric. Hetch Hetchy's net asset increase for fiscal year 2005-2006 was approximately $19.1 million more than the $22.5 million increase for fiscal year 2004-2005. Power sales increased $18.0 million to $139.6 during the current fiscal year and other operating revenues increased by $4.0 million to $7.7 million. For the current year, there was a small increase in total expenses, $2.4 million, due primarily to general administrative costs.

- The Water Department's net assets were $433.1 million at the end of fiscal year 2005-2006, essentially equal to the prior fiscal year. Since 2003, the department has been working on a massive capital project to rebuild the water system, a multi-billion dollar, ten-year program approved by the voters in November 2002. Related to this work, the Water Department's total assets and total liabilities each increased by about $429.2 million at the end of this fiscal year. These increases were due mostly to cash proceeds from revenue bond sales and the associated liability. Operationally, the department saw an improvement of approximately $6.5 million at the end of fiscal year 2005-2006 compared to the prior fiscal year. This effectively offset a decrease to net assets by the same amount at the end fiscal year 2004-2005. A $15.7 million increase in revenue from water sales, primarily to retail customers, contributed to this positive change. There was also a $6.6 million increase in interest and investment income due largely to higher average daily balances and increasing interest rates. On the expense side, operating expenses increased by $10.5 million and interest expense rose by $5.3 million, a 24.6% increase due to interest expense on bonds payable.

- The Airport's net assets decreased by $42.7 million, or 11.9 percent, at the end of fiscal year 2005-2006. Operating revenues decreased by a total of $22.0 million due primarily to a $39.6 million decline in aviation revenues offset by a $17.6 million increase in parking, transportation, concession, and rental revenues which included the reinstatement of the duty free minimum rent agreements. The Airport's operating expenses rose close to $13.8 million. This change included increases in personnel and contractual services ($16 million), repairs and maintenance and environmental cleanup ($3 million), offset by a decrease in repairs and maintenance costs ($5 million). The transfer from the Airport to the City's General Fund was $21.5 million for fiscal year 2005-2006, an increase of $1.8 million increase over 2004-2005.

As shown in the previous charts, the two largest of San Francisco's business-type activities - the San Francisco International Airport and the Municipal Transportation Agency each had total expenses over $600 million in fiscal year 2005-2006. The City's long-term and acute care hospitals together also had total expenses of $646 million. Together, these four enterprises make up over 78 percent of the total expenses for business-type activities. As in prior years, charges for services provided the largest share of revenues, 64.2 percent, for business-type activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental fund statements is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately $1.32 billion, an increase of $247.3 million over the end of the prior year. The increase is due to revenue sources increasing at a faster rate than expenditures, consistent with the City's improving economy.

A total of $190.2 million of the fund balance in the governmental funds constitutes unreserved fund balance. This is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder is reserved, an indication that it is not available for new spending because it has already been committed. These commitments include support for: (1) a General Fund "rainy day" reserve ($122.0 million), (2) encumbrances for existing contracts and purchase orders ($461.3 million), (3) funds continued for programs or projects in future fiscal years ($453.8 million), (3) pay debt service ($57.4 million), and (4) for a limited number of other purposes ($30.9 million).

The General Fund is the chief operating fund of the City and had an unreserved fund balance of $139.0 million at the end of fiscal year 2005-2006, a $4.8 million increase over the fiscal year 2004-2005 unreserved fund balance of $134.2 million. The General Fund's total fund balance was $461.3 for fiscal year 2005-2006, a 50 percent improvement over the prior year balance of $307.7 million. This increase was mainly due to a general increase in revenues from property, business, other local taxes and charges for services, coupled with only a moderate increase in expenditures. Overall for the fiscal year ended June 30, 2006, the General Fund's revenues exceeding expenditures by $506.0 million, before transfers and other items are considered.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For fiscal year 2005-2006, the unreserved fund balance of $139.0 million represents 7.1 percent of total General Fund expenditures of $1.97 billion, and the total fund balance represents approximately 23.4 percent of that amount. For the prior fiscal year, 2004-2005, the General Fund's unreserved fund balance of $134.2 million was 6.9 percent of the total expenditures of $1.94 billion, and the total fund balance represented approximately 15.8 percent of expenditures.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-activities section of the government-wide financial statements, but in more detail.

At the end of fiscal year 2005-2006, the unrestricted net assets for the Airport were $280.2 million, the Water Department 78.2 million, Hetch Hetchy $142.0 million, Wastewater $58.2 million, the Port $34.5 million, San Francisco General Hospital Medical Center $0.8 million, and the San Francisco Market Corporation $3.1 million. Two proprietary funds had a deficit in unrestricted net assets: the Municipal Transportation Agency had a deficit of $44.8 million; and Laguna Honda Hospital $15.7

million. The internal service funds that are used to account for certain governmental activities also had a deficit in unrestricted net assets of $5.5 million.

The total increase in net assets for the enterprise funds was $145.0 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. As in the previous years, the Airport's decrease in net assets is partly related to its major capital assets being depreciated faster than the repayment of its bonded debt.

The following table shows actual revenues, expenses and results of operations (excluding capital contributions and expenses) for the current fiscal year in the City's proprietary funds (in thousands):

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions Special Items, and Others	Interfund Transfers	Change In Net Assets
Airport	$ 455,342	$ 432,811	$ 22,531	$ (92,234)	$ 48,544	$ (21,513)	(42,672)
Water	201,833	186,934	14,899	(14,250)	-	(602)	47
Hetch Hetchy	149,500	119,146	30,354	11,299	-	-	41,653
Municipal Transportation Agency	210,692	691,100	(480,408)	275,138	58,399	199,850	52,979
General Hospital	341,035	473,991	(132,956)	73,973	-	61,551	2,568
Wastewater Enterprise	164,703	140,954	23,749	(12,439)	-	-	11,310
Port	58,588	54,429	4,159	2,726	3,460	-	10,345
Laguna Honda Hospital	131,292	170,035	(38,743)	16,215	-	90,710	68,182
Market Corporation	1,503	1,035	468	74	-	-	542
Total	$ 1,714,488	$ 2,270,435	$ (555,947)	$ 260,502	$ 110,403	$ 329,996	$ 144,954

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System and Health Service System, and manages the investment of monies held in trust to benefit public services or employees. As of the end of fiscal year 2005-2006, the net assets of the Retirement System and Health Service System totaled $14.54 billion, representing an increase of $1.36 billion in total net assets since June 30, 2005. This 10.3 percent increase is primarily due to a third year of improved performance of the Retirement Trust's investments. The Investment Trust Fund's net assets totaled $547.4 million, an increase in net assets of $227.0 million or 70.8 percent since June 30, 2005 due to the increase in additions over withdrawals and distributions to external participants of the fund.

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year. In fiscal year 2005-2006, the City approved $64.0 million in General Fund supplemental appropriations for various departments primarily for capital projects including affordable housing, street resurfacing and recreation facilities.

During the year, actual revenues and other resources were $133.0 million more than budgeted. While the City realized $208.2 million more revenue than budgeted for property taxes, business taxes, other local taxes, franchises, interest and investment income, these increases were partially offset by $50.9 million less in transfer funding primarily related to the State's restructuring of public health funding for indigent care along with other key variances of, $11.1 million less in federal and $9.2 million in state subvention revenues (though these shortfalls were more than offset by savings in social service costs), $7.9 million less in general government service charges due to lower internal

service cost recoveries, and $5.4 million less in other revenues due to postponed property sales. All budgetary revenue is shown on page 31.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $148.2 million in appropriation savings. This is primarily due to the following factors:

- A savings of $76.5 million in the Department of Public Health, due largely to $50.5 million in savings related to the State's restructuring of public health funding for indigent care wherein counties were no longer required to send the State matching funds as well as $26.0 million in operating cost savings.

- A savings of $24.1 million in the Human Services Agency, due largely to lower program costs related to CalWORKS Childcare and Aid, Medi-Cal Eligibility, County Adult Assistance Programs (CAAP), In-Home Supportive Services and related operations costs. These savings are partly offset by shortfalls in federal and state social service funding.

- A savings of $20.2 million in transfers to other funds because higher hospital revenues and cost savings resulted in lower required subsidy transfers for San Francisco General Hospital Medical Center and Laguna Honda Hospital.

- A close-out savings of $22.7 million in budgetary reserves and designations largely due to unspent General Reserve savings not used for supplemental appropriation or other contingencies during fiscal year 2005-2006.

As a result of the strong revenue growth, the City made record deposits into the Rainy Day Reserves during fiscal year 2005-2006, including an additional $49.8 million into the Economic Stabilization Account and an additional $24.9 million into the One-Time Spending Account. Combined these two Rainy Day Reserve accounts totaled $122.0 million by fiscal year end 2005-2006.

The net effect of the strong revenue growth, expenditure savings and record deposits into the Rainy Day Reserve accounts was a positive budgetary fund balance available for subsequent year appropriation of $145.6 million at the end of fiscal year 2005-2006. The City's fiscal year 2006-2007 Adopted Original Budget assumed an available balance of $99.5 million, so an additional $46.1 million remains available. (See also Note 4 to the Basic Financial Statements for additional fund balance reserve details.)

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2006, increased by $414.4 million, 3.8 percent, to $11.2 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. Governmental activities contributed $303.2 million or 2.8 percent to this total while $111.2 million or one percent was from business-type activities. Details are shown in the table below.

Capital Assets, Net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 143,640	$ 143,640	$ 194,783	$ 193,781	$ 338,423	$ 337,421
Facilities and Improvement...	1,884,952	1,704,266	5,974,331	6,081,285	7,859,283	7,785,551
Machinery and equipment....	44,246	46,021	799,846	847,935	844,092	893,956
Infrastructure	240,601	185,223	464,477	485,043	705,078	670,266
Property held under lease....	536	536	2,607	2,667	3,143	3,203
Easements	-	-	79,358	85,534	79,358	85,534
Construction in progress.....	360,887	292,040	1,013,652	721,568	1,374,539	1,013,608
Total	$ 2,674,862	$ 2,371,726	$ 8,529,054	$ 8,417,813	$ 11,203,916	$ 10,789,539

Major capital asset events during the current fiscal year included the following:

- Under governmental activities, approximately $202 million of $303 million net increase was due to a capital contribution of the newly re-built de Young Museum, part of the Fine Arts Museums of San Francisco, discussed earlier under the analysis of net assets. The remaining $101 million increase was mainly due to construction-in-progress work at various park and recreational sites, branch libraries, as well as various street improvement and traffic signal upgrades, and work at Juvenile Hall and the San Bruno Jail.

- The Water Department's net capital assets increased by $95.6 million. Close to 81.4 percent of this, or $77.8 million, reflects the net increase in construction-in-progress on the department's ten-year water system improvement project. This change includes a $136.8 million increase in construction projects offset by $46.6 million in transfers to facilities and improvements, $6.7 million transfers to equipment, and $5.7 million expensed for projects not continued. The increase included water main replacements at various locations, progress on the Lincoln Way Transmission Line and the Sunset Upgrade Project. The remaining net increase of $17.8 million reflects the increase to facilities, improvements and equipment less increase to depreciation.

- MUNI had a $90 million increase to construction-in-progress. This was largely due to $57.4 million in continued work on the Third Street Light Rail, a major expansion of the transportation system in the City's southeast neighborhoods, as well as $24.6 million in work on Trolley Overhead reconstruction, New Central Subway, Bayshore and Geary Corridor and other system projects.

- Laguna Honda Hospital's net capital assets increased by $65.8 million due almost entirely to construction-in-progress on the capital project to rebuild the hospital. This work is partially funded by the Laguna Honda General Obligation Bonds.

- The Port's net capital assets increased about 7.0 percent, or $17.2 million. This increase included completion of security projects at the Port's cruise, ferry and cargo facilities' completion of the Ferry Terminal Public Pier, improvements to parking lots and progress on the Illinois Street Intermodal Bridge.

- Hetch Hetchy increased net capital assets by $3.1 million or 1.1 percent. This included the completion of a $3.7 million project to improve electrical reliability in San Francisco and a $3.1 million project to replace turbine generators.

- The Airport reported a decrease in net capital assets of $83.3 million or 2.2 percent due largely to the net effect of depreciation against completed projects of the Near Term Master Plan for SFO in recent years. This plan includes the new International Terminal (completed in 2001), the Bay Area Rapid Transit (BART) Station at SFO and Air Train people mover (completed in 2003) and new parking facilities, roadways, runway improvements, and other Airport facilities.

At the end of the year, the City's business type activities had approximately $346.6 million in commitments for various capital projects. Of this, MTA had approximately $150.0 million, Water Department had $84.6 million, Hetch Hetchy had $17.3 million, Wastewater had $39.1 million, Port had $6.3 million, Laguna Honda Hospital had $8.6 million and the Airport had $40.7 million. In addition, there was approximately $345.0 million reserved for encumbrances in capital project funds for the general government.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

For governmental activities, no net infrastructure assets were recorded in fiscal year 2000-2001 - the first year of presentation in the GASB 34 format, because the historical costs did not meet the threshold established by GASB. Beginning in fiscal year 2001-2002, newly completed projects are capitalized and ongoing infrastructure projects are accounted for in construction in progress.

Additional information about the City's capital assets can be found in Note 7 to the Basic Financial Statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term debt outstanding of $7.8 billion. Of this amount, $1.23 billion is general obligation bonds backed by the full faith and credit of the City and $6.5 billion is revenue bonds, loans, certificates of participation, capital leases, and other debts of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial paper and capital leases increased by $473 million during fiscal year 2005-2006, primarily due to issuance of bonded debt in the governmental activities.

The City also took advantage of favorable interest rates to reduce debt payments by issuing $577.1 million in refunding bonds. Of this amount, the Airport issued $467.0 million and the Water Department $110.1 million in refunding revenue bonds. The City also issued general obligation bonds for the improvement of California Academy of Sciences for $79.4 million, Steinhart Aquarium for $29.2 million, Branch Libraries for $34.0 million and Zoo Facilities for $7.5 million, totaling $150.1 million. In addition, the City issued $69 million in general obligation bonds for the improvement of Laguna Honda Hospital, $507.8 million in revenue bonds to improve the City's water system and to retire the commercial paper outstanding and $19.6 million in lease revenue bonds to finance equipment through the San Francisco Finance Corporation.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the taxable assessed value of property in the City - approximately $114 billion in value as of the close of the fiscal year. As of June 30, 2006, the City had $1.23 billion in authorized, outstanding property tax–supported general obligation bonds, which is equal to approximately 1.04 percent of gross (1.08 percent of net) taxable assessed value of property. As of June 30, 2006, there were an additional $346.1 million in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total

debt burden would be approximately 1.33 percent of gross (1.38 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2006 were:

Moody's Investors Service, Inc.	Aa3
Standard & Poor's	AA
Fitch Ratings	AA-

During the fiscal year, Moody's Investors Service, Inc and Standard & Poor's affirmed their ratings with a stable outlook. Fitch Ratings affirmed its ratings and revised the outlook from stable to positive on the City's outstanding bonds.

The City's enterprise activities maintained their underlying debt ratings this fiscal year. SFO's underlying debt ratings were upheld by Moody's Investors Service, Standard & Poor's, and Fitch Ratings at A1, A, and A, respectively, with a stable rating outlook. With municipal bond insurance purchased for revenue bond issues, Moody's Investor Service, Poor's and Fitch have assigned SFO the ratings of "Aaa", "AAA", and "AAA" respectively. The Water Department carried underlying ratings of A1 and A+ from Moody's Investor Service and Standard & Poor's, respectively, based on Municipal Bond Insurance Policies issued by MBIA and FSA, respectively.

Since the close of fiscal year 2005-2006, the City has issued $206.0 in refunding bonds. Of this amount, the Water Department issued $48.7 million in revenue refunding bonds, and the City issued $157.3 million in general obligation refunding bonds.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic factors and next year's budget and rates

- San Francisco's unemployment rate has continued to improve. After peaking at 7.0 percent during calendar year 2002, the unemployment rate stood at 4.6 percent, as of June 2006 compared to 5.3 percent in June 2005. The recent improvement in unemployment is mainly attributed to job growth in San Francisco and the Bay Area generally.

- The San Francisco metro area (including Marin and San Mateo counties) experienced jobs growth of 1.3 percent or 12,500 jobs from June 2005 through June 2006. The largest gains in employment were in the service sector including professional, technical and scientific services, leisure and hospitality services, administrative and support services, and government services. For San Francisco County, jobs grew by 1.2 percent or 6,300 in calendar year 2005 (the most recent period for which county-level data is available).

- San Francisco's commercial real estate sector continued to rebound over the prior year, leading to occupancy gains, and increases in rental rates and commercial building sales. As of the third quarter of 2006, San Francisco had seen 13 consecutive quarters when more space was being rented than new space was becoming available for rent. This positive trend resulted in increasing asking rental rates. As of the third quarter of 2006, the average direct asking rental rates were $33.60 per square foot – a 23 percent increase compared to the end of 2004. The overall vacancy rate was 13.3 percent in the third quarter of 2006 – a significant improvement from the historic high of almost 23 percent in the second quarter of 2003.

- The continuing gradual economic recovery is favorably impacting local tax revenue growth, including property, real property transfer, business, hotel room, sales, payroll, and parking

taxes. This growth has helped to balance the City's budget in recent years, ensuring the continued ability to fund ongoing services and capital improvements.

- San Francisco faced a projected General Fund shortfall of $12.5 million at the beginning of fiscal year 2006-2007 - a shortfall significantly lower than previous years. This improvement was largely attributable to the economic rebound, resulting in increasing revenues as well as continued control over expenditure growth. These factors combined with the use of one-time sources, including the use of fund balance and prior year reserves, meant that the City was able to avoid making reductions in public safety, health and human services, and many other critical programs in the 2006-2007 budget year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco
Office of the Controller
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport
Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

San Francisco Water Department
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Director of Accounting Financial Services
1155 Market Street, 4th Floor
San Francisco, CA 94103

Municipal Transportation Agency
MTA Finance and Administration
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

San Francisco General Hospital Medical Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

Port of San Francisco
Fiscal Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

Laguna Honda Hospital
Chief Financial Officer
375 Laguna Honda Blvd.
San Francisco, CA 94116

Health Service System
1145 Market Street, Suite 200
San Francisco, CA 94103

San Francisco Employees' Retirement System
Executive Director
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Component Unit Financial Statement

San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
100 Van Ness Avenue, 26th Floor
San Francisco, CA 94102

San Francisco Finance Corporation
Mayor's Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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Basic Financial Statements

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets

June 30, 2006

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
ASSETS					
Current assets:					
Deposits and investments with City Treasury	$ 1,511,936	$ 681,935	$ 2,193,871	$ -	$ 1,268
Deposits and investments outside City Treasury	48,885	9,758	58,643	169,046	-
Receivables (net of allowance for uncollectible amounts of $84,334 for the primary government):					
Property taxes and penalties	42,586	-	42,586	-	-
Other local taxes	168,457	-	168,457	-	-
Federal and state grants and subventions	154,086	57,707	211,793	-	-
Charges for services	22,194	194,800	216,994	-	-
Interest and other	16,132	43,787	59,919	7,641	4
Loans receivable	7,025	132	7,157	12	-
Capital lease receivable from primary government	-	-	-	14,460	
Due from component unit	782	-	782	-	-
Inventories	-	53,051	53,051	-	-
Deferred charges and other assets	10,423	3,531	13,954	-	-
Restricted assets:					
Deposits and investments with City Treasury	-	54,218	54,218	-	-
Deposits and investments outside City Treasury	-	45,306	45,306	78,413	-
Grants and other receivables	-	36	36	1,206	-
Total current assets	1,982,506	1,144,261	3,126,767	270,778	1,272
Noncurrent assets:					
Loans receivable (net of allowance for uncollectible amounts of $383,869 and $158,166 for the primary government and component units, respectively)	67,016	455	67,471	10,455	-
Advance to component unit	4,024	-	4,024	-	-
Capital lease receivable from primary government	-	-	-	175,636	-
Deferred charges and other assets	19,887	72,632	92,519	9,565	-
Restricted assets:					
Deposits and investments with City Treasury	-	617,925	617,925	-	-
Deposits and investments outside City Treasury	-	265,093	265,093	20,797	-
Grants and other receivables	-	61,670	61,670	-	-
Property held for resale	-	-	-	15,988	-
Capital assets:					
Land and other assets not being depreciated	504,527	1,208,435	1,712,962	119,965	-
Facilities, infrastructure, and equipment, net of depreciation	2,170,335	7,320,619	9,490,954	146,638	-
Total capital assets	2,674,862	8,529,054	11,203,916	266,603	-
Total noncurrent assets	2,765,789	9,546,829	12,312,618	499,044	-
Total assets	$ 4,748,295	$ 10,691,090	$ 15,439,385	$ 769,822	$ 1,272

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets *(Continued)*

June 30, 2006

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
LIABILITIES					
Current liabilities:					
Accounts payable	$ 178,765	$ 121,868	$ 300,633	$ 7,962	$ 3,207
Accrued payroll	64,377	46,498	110,875	-	-
Accrued vacation and sick leave pay	65,948	43,182	109,130	1,254	-
Accrued workers' compensation	41,803	35,466	77,269	-	-
Estimated claims payable	23,811	24,629	48,440	-	-
Bonds, loans, capital leases, and other payables	262,599	142,119	404,718	27,791	-
Capital lease payable to component unit	14,460	-	14,460	-	-
Accrued interest payable	7,764	18,472	26,236	27,207	-
Unearned grant and subvention revenues	2,421	-	2,421	-	-
Due to primary government	-	-	-	782	-
Internal balances	27,966	(27,966)	-	-	-
Deferred credits and other liabilities	125,111	91,061	216,172	750	664
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables	-	17,393	17,393	-	-
Accrued interest payable	-	26,321	26,321	-	-
Other	-	38,331	38,331	-	-
Total current liabilities	815,025	577,374	1,392,399	65,746	3,871
Noncurrent liabilities:					
Accrued vacation and sick leave pay	66,576	36,381	102,957	1,553	-
Accrued workers' compensation	160,678	126,188	286,866	-	-
Estimated claims payable	45,666	53,154	98,820	-	-
Bonds, loans, capital leases, and other payables	1,690,096	5,438,803	7,128,899	700,942	-
Advance from primary government	-	-	-	4,024	-
Capital lease payable to component unit	175,636	-	175,636	-	-
Accrued interest payable	-	-	-	63,839	-
Deferred credits and other liabilities	-	46,757	46,757	6,117	-
Total noncurrent liabilities	2,138,652	5,701,283	7,839,935	776,475	-
Total liabilities	2,953,677	6,278,657	9,232,334	842,221	3,871
NET ASSETS					
Invested in capital assets, net of related debt	1,438,010	3,438,397	4,876,407	67,463	-
Restricted for:					
Reserve for rainy day	121,976	-	121,976	-	-
Debt service	53,076	256,055	309,131	54,821	-
Capital projects	10,589	148,957	159,546	-	-
Community development	71,207	-	71,207	-	-
Transportation Authority activities	23,727	-	23,727	-	-
Grants and other purposes	148,071	32,354	180,425	15,988	-
Unrestricted (deficit)	(72,038)	536,670	464,632	(210,671)	(2,599)
Total net assets (deficit)	$ 1,794,618	$ 4,412,433	$ 6,207,051	$ (72,399)	$ (2,599)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities
Year ended June 30, 2006

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: San Francisco Redevelopment Agency	Component Units: Treasure Island Development Authority
Primary government:									
Governmental activities:									
Public protection	$ 780,642	$ 51,874	$ 103,358	$ -	$ (625,410)	$ -	$ (625,410)	$ -	$ -
Public works, transportation and commerce	272,397	113,861	30,223	37,411	(90,902)	-	(90,902)	-	-
Human welfare and neighborhood development	858,396	29,181	437,381	150	(391,684)	-	(391,684)	-	-
Community health	478,844	52,183	278,218	-	(148,443)	-	(148,443)	-	-
Culture and recreation	244,423	64,720	3,144	210,768	34,209	-	34,209	-	-
General administration and finance	167,490	55,799	2,400	-	(109,291)	-	(109,291)	-	-
General City responsibilities	49,054	31,647	5,195	-	(12,212)	-	(12,212)	-	-
Unallocated Interest on long-term debt	94,923	-	-	-	(94,923)	-	(94,923)	-	-
Total governmental activities	2,946,169	399,265	859,919	248,329	(1,438,656)	-	(1,438,656)	-	-
Business-type activities:									
Airport	633,102	455,342	-	48,544	-	(129,216)	(129,216)	-	-
Transportation	695,593	210,692	122,057	58,399	-	(304,445)	(304,445)	-	-
Port	55,329	58,588	-	3,460	-	6,719	6,719	-	-
Water	213,584	201,833	-	-	-	(11,751)	(11,751)	-	-
Power	119,146	149,500	-	-	-	30,354	30,354	-	-
Hospitals	646,149	472,327	66,585	-	-	(107,237)	(107,237)	-	-
Sewer	160,701	164,703	30	-	-	4,032	4,032	-	-
Market	1,035	1,503	-	-	-	468	468	-	-
Total business-type activities	2,524,639	1,714,488	188,672	110,403	-	(511,076)	(511,076)	-	-
Total primary government	$5,470,808	$2,113,753	$ 1,048,591	$ 358,732	(1,438,656)	(511,076)	(1,949,732)	-	-
Component units:									
San Francisco Redevelopment Agency	$ 142,493	$ 25,345	$ 13,912	$ -				(103,236)	-
Treasure Island Development Authority	9,188	8,208	-	-				-	(980)
Total component units	$ 151,681	$ 33,553	$ 13,912	$ -				(103,236)	(980)
General Revenues:									
Taxes:									
Property taxes					1,016,220	-	1,016,220	65,826	-
Business taxes					323,153	-	323,153	-	-
Other local taxes					595,664	-	595,664	5,549	-
Interest and investment income					71,129	53,161	124,290	10,751	56
Other					56,022	272,873	328,895	9,722	527
Transfers - internal activities of primary government					(329,996)	329,996	-	-	-
Total general revenues and transfers					1,732,192	656,030	2,388,222	91,848	583
Change in net assets					293,536	144,954	438,490	(11,388)	(397)
Net assets (deficit) - beginning					1,501,082	4,267,479	5,768,561	(61,011)	(2,202)
Net assets (deficit) - ending					$ 1,794,618	$4,412,433	$6,207,051	$ (72,399)	$ (2,599)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet
Governmental Funds

June 30, 2006
(with comparative financial information as of June 30, 2005)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2006	2005	2006	2005	2006	2005
ASSETS						
Deposits and investments with City Treasury	$ 443,102	$ 314,607	$ 1,060,891	$ 915,547	$ 1,503,993	$ 1,230,154
Deposits and investments outside City Treasury	1,465	355	22,287	45,745	23,752	46,100
Receivables:						
Property taxes and penalties	34,157	26,141	8,429	6,890	42,586	33,031
Other local taxes	154,505	148,744	13,952	12,788	168,457	161,532
Federal and state grants and subventions	63,843	61,412	90,243	89,559	154,086	150,971
Charges for services	17,117	7,416	5,077	6,832	22,194	14,248
Interest and other	6,184	4,406	9,035	3,726	15,219	8,132
Due from other funds	30,859	29,743	3,960	12,303	34,819	42,046
Due from component unit	3,848	2,416	958	959	4,806	3,375
Loans receivable (net of allowance for uncollectible amount of $383,869 in 2006; $165,336 in 2005)	-	1,174	74,041	241,728	74,041	242,902
Deferred charges and other assets	7,243	6,797	1,729	1,570	8,972	8,367
Total assets	$ 762,323	$ 603,211	$ 1,290,602	$ 1,337,647	$ 2,052,925	$ 1,940,858
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 84,710	$ 82,524	$ 88,151	$ 53,335	$ 172,861	$ 135,859
Accrued payroll	51,792	39,729	10,982	8,812	62,774	48,541
Deferred tax, grant and subvention revenues	33,473	26,880	30,442	19,371	63,915	46,251
Due to other funds	821	1,857	61,964	77,614	62,785	79,471
Agency obligations	-	-	-	40	-	40
Deferred credits and other liabilities	130,251	144,541	94,755	267,899	225,006	412,440
Bonds, loans, capital leases, and other payables	-	-	150,000	150,000	150,000	150,000
Total liabilities	301,047	295,531	436,294	577,071	737,341	872,602
Fund balances:						
Reserved for rainy day	121,976	48,139	-	-	121,976	48,139
Reserved for assets not available for appropriation	10,710	9,031	20,202	17,683	30,912	26,714
Reserved for debt service	-	-	57,429	45,540	57,429	45,540
Reserved for encumbrances	38,159	57,762	423,120	97,920	461,279	155,682
Reserved for appropriation carryforward	124,009	36,198	294,340	549,571	418,349	585,769
Reserved for subsequent years' budgets	27,451	22,351	8,004	8,004	35,455	30,355
Unreserved (deficit), reported in:						
General fund	138,971	134,199	-	-	138,971	134,199
Special revenue funds	-	-	35,243	30,809	35,243	30,809
Capital project funds	-	-	13,662	7,193	13,662	7,193
Permanent fund	-	-	2,308	3,856	2,308	3,856
Total fund balances	461,276	307,680	854,308	760,576	1,315,584	1,068,256
Total liabilities and fund balances	$ 762,323	$ 603,211	$ 1,290,602	$ 1,337,647	$ 2,052,925	$ 1,940,858

The notes to the financial statements are an integral part of this statement.

City and County of San Francisco
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

(In Thousands)

Fund balances - total governmental funds	$ 1,315,584
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,670,387
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	14,338
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,161,461)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(6,459)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	164,015
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(201,786)
Net assets of governmental activities	$ 1,794,618

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2006
(with comparative financial information for year ended June 30, 2005)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2006	2005	2006	2005	2006	2005
Revenues:						
Property taxes	$ 783,303	$ 705,949	$ 224,848	$ 212,696	$ 1,008,151	$ 918,645
Business taxes	322,407	292,172	746	591	323,153	292,763
Other local taxes	480,501	428,244	115,163	109,841	595,664	538,085
Licenses, permits and franchises	20,825	19,427	6,837	6,515	27,662	25,942
Fines, forfeitures and penalties	10,195	9,536	4,254	2,973	14,449	12,509
Interest and investment income	22,496	8,374	47,550	19,894	70,046	28,268
Rents and concessions	20,007	20,468	32,419	28,982	52,426	49,450
Intergovernmental:						
Federal	182,448	165,739	168,537	183,025	350,985	348,764
State	490,187	438,697	75,802	84,240	565,989	522,937
Other	-	99	23,500	25,684	23,500	25,783
Charges for services	126,433	115,812	137,561	125,938	263,994	241,750
Other	15,037	12,277	46,528	45,210	61,565	57,487
Total revenues	2,473,839	2,216,794	883,745	845,589	3,357,584	3,062,383
Expenditures:						
Current:						
Public protection	739,470	697,450	47,928	41,044	787,398	738,494
Public works, transportation and commerce	46,448	60,628	228,221	135,268	274,669	195,896
Human welfare and neighborhood development	524,516	503,874	172,586	141,025	697,102	644,899
Community health	377,226	413,110	94,515	87,940	471,741	501,050
Culture and recreation	80,516	87,023	176,463	151,999	256,979	239,022
General administration and finance	146,567	120,400	14,628	14,718	161,195	135,118
General City responsibilities	53,065	62,185	698	614	53,763	62,799
Debt service:						
Principal retirement	-	-	86,970	80,306	86,970	80,306
Interest and fiscal charges	-	-	75,975	61,524	75,975	61,524
Bond issuance costs	-	-	1,933	4,842	1,933	4,842
Capital outlay	-	-	153,493	130,224	153,493	130,224
Total expenditures	1,967,808	1,944,670	1,053,410	849,504	3,021,218	2,794,174
Excess (deficiency) of revenues over expenditures	506,031	272,124	(169,665)	(3,915)	336,366	268,209
Other financing sources (uses):						
Transfers in	62,431	152,288	162,092	119,265	224,523	271,553
Transfers out	(420,086)	(330,230)	(135,069)	(183,193)	(555,155)	(513,423)
Issuance of bonds and loans						
Face value of bonds issued	-	-	219,120	346,225	219,120	346,225
Face value of loans issued	-	-	5,359	500	5,359	500
Premium on issuance of bonds	-	-	10,233	11,989	10,233	11,989
Payment to refunded bond escrow agent	-	-	-	(38,913)	-	(38,913)
Other financing sources-capital leases	5,220	3,063	1,662	1,479	6,882	4,542
Total other financing sources (uses)	(352,435)	(174,879)	263,397	257,352	(89,038)	82,473
Net change in fund balances	153,596	97,245	93,732	253,437	247,328	350,682
Fund balances at beginning of year	307,680	210,435	760,576	507,139	1,068,256	717,574
Fund balances at end of year	$ 461,276	$ 307,680	$ 854,308	$ 760,576	$ 1,315,584	$ 1,068,256

The notes to the financial statements are an integral part of this statement.

City and County of San Francisco

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2006

(In Thousands)

Net change in fund balances - total governmental funds	$ 247,328
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period plus capital contribution of an asset to the City.	302,816
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the decrease in certain liabilities reported in the statement of net assets of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	19,058
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,069
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	1,202
Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding expense is not reported on the statement of activities.	(156,332)
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.	18,915
Bond issue costs are reported in the governmental funds when paid, and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issue costs exceed amortization expense in the current period.	1,138
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(137,509)
Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net assets. This is the amount of bond premiums capitalized during the current period.	(10,233)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses; and change in the accrual of arbitrage liabilities.	(10,748)
The net revenues of certain activities of internal service funds is reported with governmental activities.	9,832
Change in net assets of governmental activities	$ 293,536

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund

Year ended June 30, 2006

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary fund balance, July 1	$ 120,483	$ 324,724	$ 324,724	$ -
Resources (inflows):				
Property taxes	696,660	696,660	782,690	86,030
Business taxes	288,320	288,320	322,407	34,087
Other local taxes:				
Sales tax	102,780	102,780	103,074	294
Hotel room tax	121,462	121,462	130,824	9,362
Utility users tax	70,920	70,920	76,444	5,524
Parking tax	33,120	33,120	36,165	3,045
Real Property Transfer Tax	83,000	83,000	131,279	48,279
Stadium Operator Admission Tax	2,430	2,430	2,716	286
Licenses, permits, and franchises:				
Licenses and permits	6,705	6,705	7,088	383
Franchise tax	12,423	12,423	13,737	1,314
Fines, forfeitures, and penalties	11,475	11,475	10,195	(1,280)
Interest and investment income	11,307	11,393	30,953	19,560
Rents and concessions:				
Garages - Recreation and Park	7,926	7,926	9,207	1,281
Rents and concessions - Recreation and Park	9,980	9,979	9,082	(897)
Other rents and concessions	1,679	1,679	1,718	39
Intergovernmental:				
Federal subventions:				
Health and social service subventions	197,359	184,911	177,804	(7,107)
Other grants and subventions	8,980	8,596	4,644	(3,952)
State subventions:				
Social service subventions	84,812	97,120	93,184	(3,936)
Health/mental health subventions	105,064	105,646	100,900	(4,746)
Health and welfare realignment	158,447	158,447	157,921	(526)
Public safety sales tax	70,000	70,000	69,344	(656)
Motor vehicle in-lieu	36,660	36,660	35,764	(896)
Other grants and subventions	19,406	24,568	33,393	8,825
Charges for services:				
General government service charges	47,031	47,096	39,161	(7,935)
Public safety service charges	21,607	21,607	24,908	3,301
Recreation charges - Recreation and Park	5,798	5,798	6,776	978
MediCal, MediCare and health service charges	56,548	56,272	55,588	(684)
Other financing sources:				
Transfers from other funds	107,570	108,902	57,965	(50,937)
Proceeds from issuance of bonds and loans	597	597	-	(597)
Other resources (inflows)	12,644	13,090	7,681	(5,409)
Total amounts available for appropriation	$ 2,513,193	$ 2,724,306	$2,857,336	$ 133,030

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to appropriations (outflows):				
Public Protection				
Administrative Services - Animal Care and Control	$ 3,264	$ 3,258	$ 3,238	$ 20
Administrative Services - Medical Examiner	4,383	4,409	4,317	92
Adult Probation	9,812	9,915	9,915	-
District Attorney	25,500	26,521	26,521	-
Fire Department	203,696	203,947	203,359	588
Juvenile Probation	33,010	31,346	31,120	226
Police Department	271,485	285,977	285,976	1
Public Defender	18,026	18,813	18,813	-
Sheriff	131,256	127,527	127,481	46
Trial Courts	32,341	32,245	32,202	43
Public Works, Transportation and Commerce				
Board of Appeals	539	535	530	5
Business and Economic Development	4,539	2,203	2,110	93
Clean Water	196	204	157	47
Department of Public Works	33,780	34,189	34,189	-
Emergency Communications	4,231	5,409	5,334	75
Parking and Traffic Commission	-	68	37	31
Public Utilities Commission	-	16	8	8
Telecommunications and Information Services	7,311	4,084	4,083	1
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	13,306	12,188	11,986	202
Commission on the Status of Women	2,364	2,438	2,380	58
County Education Office	71	71	71	-
Environment	571	1,125	1,067	58
Human Rights Commission	1,074	1,309	1,308	1
Human Services	535,540	531,204	507,101	24,103
Mayor - Housing and Neighborhood	-	600	600	-
Community Health				
Public Health Operations	350,600	372,284	346,277	26,007
State Funding Match Requirments	82,000	81,432	30,949	50,483
Culture and Recreation				
Academy of Sciences	1,702	1,702	1,702	-
Art Commission	5,922	6,039	6,039	-
Asian Art Museum	6,298	6,315	6,115	200
Fine Arts Museum	8,834	8,512	8,373	139
Law Library	404	432	432	-
Recreation and Park Commission	72,045	58,126	57,762	364
General Administration and Finance				
Administrative Services	31,179	25,517	25,226	291
Assessor/Recorder	10,015	9,218	9,049	169
Board of Supervisors	9,409	9,637	9,615	22

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
City Attorney	6,913	10,857	10,843	14
City Planning	17,078	15,927	15,382	545
Civil Service	550	544	498	46
Controller	21,427	18,866	18,850	16
Elections	11,081	11,861	11,861	-
Ethics Commission	1,382	1,389	1,286	103
Health Service System	100	-	-	-
Human Resources	12,757	9,861	9,695	166
Mayor	6,282	6,698	6,679	19
Retirement Services	436	242	241	1
Treasurer/Tax Collector	22,152	20,057	19,773	284
General City Responsibilities				
General City Responsibilities	53,684	53,601	52,849	752
Other financing uses:				
Transfers to other funds	390,531	436,092	415,936	20,156
Budgetary reserves and designations	54,117	22,712	-	22,712
Total charges to appropriations	2,513,193	2,527,522	2,379,335	148,187
Total Sources less Current Year Uses	-	196,784	478,001	281,217
Budgetary Reserves Carried Into Subsequent Year	-	60,977	-	(60,977)
New Deposits Into Rainy Day Reserves in Current Year				
Economic Stabilization Account	-	49,772	-	(49,772)
One-Time Spending Account New Deposits	-	24,886	-	(24,886)
Budgetary fund balance, June 30	$ -	$ 332,419	$ 478,001	$ 145,582

Explanation of differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$2,857,336
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(324,724)
Property tax revenue - Teeter Plan	613
Unrealized loss on investment	(786)
Interest earnings/charges from other funds assigned to General Fund being reclassified	(7,672)
Interest earnings from agency funds reclassified as other revenues	7,356
Grant revenue accrued on a GAAP basis in prior year and received in current year	(319)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(57,965)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$2,473,839
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$2,379,335
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation	4,424
Advance and other prepaid fees and expenditures	(15)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(415,936)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$1,967,808

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds
June 30, 2006
(with comparative financial information as of June 30, 2005)
(In Thousands)

	Business-type Activities - Enterprise Funds													
	Major Funds								Other Fund				Governmental Activities-Internal Service Funds	
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Waste Water Enterprise	Port of San Francisco	Laguna Honda Hospital	Market Corporation	Total 2006	Total 2005		2006	2005
ASSETS														
Current Assets:														
Deposits and investments with City Treasury	$ 240,171	$ 101,550	$ 121,929	$ 62,311	$ 34,278	$ 55,631	$ 66,065	$ -	$ -	$ 681,935	$ 651,311		$ 7,943	$ 8,196
Deposits and investments outside City Treasury	120	40	10	6,185	10	3	13	1	3,376	9,758	8,017		25,133	16,057
Receivables (net of allowance for uncollectible amounts of $41,774 and $29,030 in 2006 and 2005, respectively):														
Federal and state grants and subventions	-	-	-	54,369	1,928	-	1,410	-	-	57,707	52,907		-	-
Charges for services	31,931	41,071	23,686	8,292	34,339	24,652	3,380	27,435	14	194,800	148,463		78	-
Interest and other	7,950	1,027	988	19,593	13,269	381	579	-	-	43,787	42,255		835	457
Loans receivable	-	-	132	-	-	-	-	-	-	132	130		21,855	18,862
Due from other funds	-	145	15,713	29,775	-	-	-	-	-	45,633	53,339		-	2,301
Inventories	76	1,738	276	43,189	5,261	-	1,152	1,359	-	53,051	52,874		-	-
Deferred charges and other assets	2,245	-	-	1,222	-	-	38	-	26	3,531	3,644		149	148
Restricted assets:														
Deposits and investments with City Treasury	14,192	-	-	-	-	-	4,528	35,498	-	54,218	45,285		-	-
Deposits and investments outside City Treasury	40,221	-	-	-	-	-	5,085	-	-	45,306	51,750		-	-
Grants and other receivables	36	-	-	-	-	-	-	-	-	36	1,115		-	-
Total current assets	336,942	145,571	162,734	224,936	89,085	80,667	82,250	64,293	3,416	1,189,894	1,111,090		55,993	46,021
Noncurrent assets:														
Deferred charges and other assets	53,525	8,018	-	2,219	-	3,051	5,819	-	-	72,632	65,054		2,551	2,403
Loans receivable	-	-	455	-	-	-	-	-	-	455	587		210,947	212,958
Restricted assets:														
Deposits and investments with City Treasury	152,999	364,068	-	24,016	-	76,842	-	-	-	617,925	383,439		-	-
Deposits and investments outside City Treasury	152,764	79,083	-	30,332	12	6	2,067	829	-	265,093	216,687		-	-
Grants and other receivables	53,636	2,290	-	5,055	-	462	-	227	-	61,670	33,596		-	-
Capital assets:														
Land and other assets not being depreciated	70,506	217,584	57,845	487,459	4,971	78,964	156,365	134,741	-	1,208,435	915,349		-	-
Facilities, infrastructure, and equipment, net of depreciation	3,606,265	690,170	212,228	1,402,416	48,998	1,233,863	113,759	8,092	4,828	7,320,619	7,502,464		4,475	4,155
Total capital assets	3,676,771	907,754	270,073	1,889,875	53,969	1,312,827	270,124	142,833	4,828	8,529,054	8,417,813		4,475	4,155
Total noncurrent assets	4,089,695	1,361,213	270,528	1,951,497	53,981	1,393,188	278,010	143,889	4,828	9,546,829	9,117,176		217,973	219,516
Total assets	4,426,637	1,506,784	433,262	2,176,433	143,066	1,473,855	360,260	208,182	8,244	10,736,723	10,228,266		273,966	265,537

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds *(Continued)*
June 30, 2006
(with comparative financial information as of June 30, 2005)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund			Governmental Activities-Internal Service Funds	
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Waste Water Enterprise	Port of San Francisco	Laguna Honda Hospital	Market Corporation	Total 2006	Total 2005	2006	2005
LIABILITIES													
Current liabilities:													
Accounts payable	27,794	5,657	9,743	49,093	17,434	4,244	4,457	3,306	140	121,868	123,029	5,904	7,237
Accrued payroll	5,829	4,040	1,415	16,198	9,956	2,549	899	5,612	-	46,498	40,412	1,603	1,385
Accrued vacation and sick leave pay	6,306	5,060	1,105	13,977	8,482	2,244	971	5,037	-	43,182	41,624	1,869	1,828
Accrued workers' compensation	1,492	1,860	395	23,911	4,030	869	555	2,354	-	35,466	38,005	216	241
Estimated claims payable	15	1,168	1,024	20,325	-	1,247	850	-	-	24,629	22,503	-	-
Due to other funds	-	-	-	247	2,294	-	-	15,126	-	17,667	16,841	-	1,374
Deferred credits and other liabilities	43,305	13,633	476	3,883	22,677	-	3,700	3,326	61	91,061	84,043	29,675	19,731
Accrued interest payable	-	11,401	-	394	-	6,542	135	-	-	18,472	11,631	1,305	1,082
Bonds, loans, capital leases, and other payables	67,092	15,450	104	7,869	1,122	49,875	84	523	-	142,119	185,612	20,672	18,310
Liabilities payable from restricted assets:													
Bonds, loans, capital leases, and other payables	13,418	-	-	-	-	-	3,975	-	-	17,393	16,578	-	-
Accrued interest payable	26,070	-	-	-	-	-	251	-	-	26,321	32,240	-	-
Other	9,173	15,527	-	896	-	6,823	4,820	1,092	-	38,331	28,416	-	-
Total current liabilities	200,494	73,796	14,262	136,793	65,995	74,393	20,697	36,376	201	623,007	640,934	61,244	51,188
Noncurrent liabilities:													
Accrued vacation and sick leave pay	6,024	5,335	1,037	10,734	6,706	2,072	808	3,665	-	36,381	33,694	2,061	1,894
Accrued workers' compensation	3,460	6,859	1,543	82,369	16,684	3,304	2,564	9,405	-	126,188	138,618	889	910
Estimated claims payable	22	4,632	3,975	39,279	-	4,732	514	-	-	53,154	46,215	-	-
Deferred credits and other liabilities	-	1,180	-	32,776	-	9	12,699	-	93	46,757	39,409	-	-
Bonds, loans, capital leases, and other payables	3,901,714	981,920	390	72,780	2,678	462,968	15,211	1,142	-	5,438,803	5,061,917	211,008	213,022
Total noncurrent liabilities	3,911,220	999,926	6,945	237,938	26,068	473,085	31,796	14,212	93	5,701,283	5,319,853	213,958	215,826
Total liabilities	4,111,714	1,073,722	21,207	374,731	92,063	547,478	52,493	50,588	294	6,324,290	5,960,787	275,202	267,014
NET ASSETS													
Invested in capital assets, net of related debt	(134,016)	254,221	270,073	1,774,574	50,169	820,914	256,466	141,168	4,828	3,438,397	3,391,450	4,292	3,561
Restricted:													
Debt service	153,498	79,813	-	21,825	-	919	-	-	-	256,055	202,006	-	-
Capital projects	15,210	20,817	-	17,749	-	46,343	16,758	32,080	-	148,957	183,079	-	-
Other purposes	-	-	-	32,354	-	-	-	-	-	32,354	44,905	-	-
Unrestricted (deficit)	280,231	78,211	141,982	(44,800)	834	58,201	34,543	(15,654)	3,122	536,670	446,039	(5,528)	(5,038)
Total net assets (deficit)	$ 314,923	$ 433,062	$ 412,055	$ 1,801,702	$ 51,003	$926,377	$307,767	$ 157,594	$ 7,950	$4,412,433	$4,267,479	$ (1,236)	$ (1,477)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenses, and Changes In Fund Net Assets
Proprietary Funds
Year ended June 30, 2006
(with comparative financial information for year ended June 30, 2005)
(In Thousands)

	Business-type Activities - Enterprise Funds													
	Major Funds								Other Fund	Total		Governmental Activities-Internal Service Funds	
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Waste Water Enterprise	Port of San Francisco	Laguna Honda Hospital	Market Corporation	2006	2005	2006	2005
Operating revenues:													
Aviation	$ 263,422	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 263,422	$ 303,015	$ -	$ -
Water and power service	-	189,603	139,627	-	-	-	-	-	-	329,230	295,486	-	-
Passenger fees	-	-	-	134,553	-	-	-	-	-	134,553	120,193	-	-
Net patient service revenue	-	-	-	-	326,910	-	-	130,661	-	457,571	479,655	-	-
Sewer service	-	-	-	-	-	159,281	-	-	-	159,281	144,348	-	-
Rents and concessions	81,865	6,763	234	34,666	2,055	-	47,038	-	-	174,621	157,249	61	-
Parking and transportation	61,186	-	-	34,417	-	-	9,122	-	-	104,725	99,228	-	-
Charges for services	-	-	-	2,152	-	-	-	-	1,503	3,655	2,028	98,943	92,150
Other revenues	48,869	3,467	9,839	4,904	12,070	5,422	2,428	631	-	87,430	82,826	-	-
Total operating revenues	455,342	201,833	149,500	210,692	341,035	164,703	58,588	131,292	1,503	1,714,488	1,683,830	99,004	92,150
Operating expenses:													
Personal services	153,777	58,452	22,318	422,050	265,147	44,798	21,047	144,035	191	1,131,815	1,092,794	42,648	40,203
Contractual services	52,863	5,767	4,788	41,824	118,588	7,982	2,531	8,289	473	241,085	222,750	30,948	28,861
Light, heat and power	18,544	-	48,742	1,035	-	-	3,360	-	73	69,754	68,934	-	-
Materials and supplies	7,854	10,137	1,879	36,288	55,517	8,565	1,323	12,750	3	134,114	119,564	16,678	14,421
Depreciation and amortization	162,009	41,877	10,701	96,967	6,825	37,228	9,536	1,034	286	366,463	388,679	1,185	1,119
General and administrative	2,813	32,930	21,761	54,676	125	13,725	1,421	-	9	127,680	132,048	485	450
Services provided by other departments	11,136	31,553	2,608	35,713	25,579	24,105	11,562	5,927	-	148,183	137,351	4,834	4,088
Other	24,015	6,218	8,349	2,349	2,210	4,571	3,649	-	-	51,361	49,993	2,415	2,279
Total operating expenses	432,811	186,934	119,146	691,100	473,991	140,954	54,429	170,035	1,035	2,270,435	2,210,113	99,193	91,421
Operating income (loss)	22,531	14,899	30,354	(480,408)	(132,956)	23,749	4,159	(38,743)	468	(555,947)	(526,283)	(189)	729
Nonoperating revenues (expenses):													
Operating grants:													
Federal	-	-	-	24,093	-	-	-	382	-	24,455	23,778	-	-
State / other	-	-	-	97,964	66,223	30	-	-	-	164,217	157,031	-	-
Interest and investment income (loss)	25,331	11,665	3,564	3,144	(110)	5,385	2,993	1,115	74	53,161	49,993	7,966	8,468
Interest expense	(200,291)	(26,650)	-	(4,493)	(946)	(19,747)	(900)	(1,177)	-	(254,204)	(259,358)	(8,200)	(6,523)
Other, net	82,726	735	7,735	154,430	8,806	1,893	633	15,915	-	272,873	237,102	28	6
Total nonoperating revenues (expenses)	(92,234)	(14,250)	11,299	275,138	73,973	(12,439)	2,726	18,215	74	260,502	191,819	(206)	(47)
Income (loss) before capital contributions, transfers and special item	(69,703)	649	41,653	(205,270)	(58,983)	11,310	6,885	(22,528)	542	(295,445)	(334,464)	(395)	682
Capital contributions	48,544	-	-	58,399	-	-	3,460	-	-	110,403	93,724	-	-
Transfers in	-	-	-	211,122	93,803	-	-	90,760	-	395,685	359,016	836	270
Transfers out	(21,513)	(602)	-	(11,272)	(32,252)	-	-	(50)	-	(65,689)	(117,416)	-	-
Net income (loss) before special item	(42,672)	47	41,653	52,979	2,568	11,310	10,345	68,182	542	144,954	860	241	952
Special item	-	-	-	-	-	-	-	-	-	-	(48,358)	-	-
Change in net assets	(42,672)	47	41,653	52,979	2,568	11,310	10,345	68,182	542	144,954	(45,498)	241	952
Net assets (deficit) at beginning of year	357,595	433,015	370,402	1,748,723	48,435	915,067	297,422	89,412	7,408	4,267,479	4,312,977	(1,477)	(2,429)
Net assets (deficit) at end of year	$ 314,923	$ 433,062	$ 412,055	$ 1,801,702	$ 51,003	$ 926,377	$ 307,767	$ 157,594	$ 7,950	$ 4,412,433	$ 4,267,479	$ (1,236)	$ (1,477)

The notes to the financial statements are an integral part of this statement.

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006
(with comparative financial information for year ended June 30, 2005)

(In Thousands)

	Business-type Activities - Enterprise Funds													
	Major Funds								Other Fund				Governmental Activities-Internal Service Funds	
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Waste Water Enterprise	Port of San Francisco	Laguna Honda Hospital	Market Corporation	Total 2006	Total 2005		2006	2005
Cash flows from operating activities:														
Cash received from customers, including cash deposits	$ 489,457	$ 171,722	$ 147,237	$ 231,677	$ 343,034	$ 162,891	$ 8,553	$ 129,758	$ 1,497	$ 1,685,826	$ 1,655,760		$ 118,313	$ 107,964
Cash received from tenants for rent	-	8,621	234	2,263	2,055	-	49,519	-	-	62,692	59,965		-	-
Cash paid to employees for services	(152,371)	(57,435)	(21,429)	(429,205)	(202,272)	(42,763)	(20,903)	(143,882)	(191)	(1,070,451)	(1,065,114)		(42,268)	(40,109)
Cash paid to suppliers for goods and services	(146,015)	(82,183)	(78,518)	(167,429)	(264,962)	(59,098)	(19,321)	(26,143)	(627)	(844,296)	(718,282)		(59,230)	(52,464)
Cash paid for judgements and claims	-	(5,981)	(4,562)	(7,742)	-	(2,926)	(870)	-	-	(22,081)	(15,292)		-	-
Net cash provided by (used in) operating activities	191,071	34,744	42,962	(370,436)	(122,145)	58,104	16,978	(40,267)	679	(188,310)	(82,963)		16,815	15,391
Cash flows from noncapital financing activities:														
Operating grants	-	125	126	215,294	65,683	30	-	-	-	281,258	290,449		-	-
Transfers in	-	-	-	200,475	93,803	-	-	90,760	-	385,038	280,003		636	270
Transfers out	(21,513)	(602)	-	(17,164)	(32,252)	-	-	(50)	-	(71,581)	(117,416)		-	-
Transit Impact Development fees received	-	-	-	410	-	-	-	-	-	410	426		-	-
Claims settlement proceeds	10,642	-	-	-	-	-	-	-	-	10,642	-		-	-
Other noncapital increases	6,547	-	-	15,450	9,960	-	307	6,569	-	38,853	19,832		-	-
Other noncapital decreases	-	-	-	(908)	-	-	-	-	-	(908)	(17,440)		-	-
Net cash provided by (used in) noncapital financing activities	(4,324)	(477)	126	413,557	137,194	30	307	97,299	-	643,712	455,854		636	270
Cash flows from capital financing activities:														
Capital grants	30,328	-	-	71,521	-	-	3,809	16,276	-	121,934	98,967		-	-
Transfers in	-	-	-	32,132	-	-	-	-	-	32,132	78,657		-	-
Bond sale proceeds and loans received	-	630,135	-	-	-	-	-	-	-	630,135	22,313		19,671	-
Principal payments on commercial paper borrowings	-	(120,000)	-	-	-	-	-	-	-	(120,000)	-		-	-
Proceeds from sale of capital assets	10	36	8	16	-	-	11	-	-	81	236		-	-
Proceeds from commercial paper borrowings	-	40,000	-	-	-	-	-	-	-	40,000	55,000		-	-
Proceeds from passenger facility charges	59,327	-	-	-	-	-	-	-	-	59,327	63,385		-	-
Acquisition of capital assets	(73,366)	(135,300)	(16,870)	(101,156)	(7,344)	(44,803)	(16,160)	(66,892)	(65)	(461,956)	(400,770)		(1,455)	(1,850)
Retirement of capital leases, bonds and loans	(79,125)	(123,085)	-	(8,086)	-	(15,915)	(3,470)	(375)	-	(230,056)	(144,487)		(19,321)	(15,910)
Bond issue costs paid	(1,537)	-	-	-	-	-	-	-	-	(1,537)	(4,092)		(319)	(74)
Interest paid on debt	(199,760)	(22,893)	-	(4,211)	(946)	(21,436)	(705)	(1,177)	-	(251,130)	(261,472)		(7,575)	(6,216)
Other capital financing increases	-	-	-	2,574	1,281	2,051	-	-	-	5,906	7,875		-	-
Other capital financing decreases	(3,688)	-	(101)	(4)	-	-	(3,299)	-	-	(7,092)	(7,297)		-	-
Net cash provided by (used in) capital financing activities	(267,811)	268,893	(16,963)	(7,214)	(7,009)	(80,105)	(19,814)	(52,168)	(65)	(182,256)	(491,685)		(8,999)	(24,050)
Cash flows from investing activities:														
Purchases of investments with trustees	(894,328)	(567,685)	-	(3,644)	-	-	-	-	-	(1,465,657)	(1,901,356)		-	-
Proceeds from sale of investments with trustees	910,190	502,918	-	460	-	-	-	-	-	1,413,568	1,966,505		-	-
Interest and investment income (loss)	30,319	9,454	2,838	3,070	(110)	5,024	2,984	1,116	74	54,769	23,660		773	423
Claims settlement proceeds	-	-	-	-	-	-	-	-	-	-	-		-	-
Other investing activities	-	939	-	(543)	(12)	-	-	167	-	551	6,478		(402)	(211)
Net cash provided by (used in) investing activities	46,181	(54,374)	2,838	(657)	(122)	5,024	2,984	1,283	74	3,231	95,287		371	212
Net increase (decrease) in cash and cash equivalents	(34,883)	248,786	28,963	35,250	7,918	(16,947)	455	6,147	688	276,377	(23,507)		8,823	(8,177)
Cash and cash equivalents-beginning of year	441,463	216,872	92,976	58,230	26,370	149,423	74,722	29,352	2,688	1,092,096	1,115,603		24,253	32,430
Cash and cash equivalents-end of year	$ 406,580	$ 465,658	$ 121,939	$ 93,480	$ 34,288	$ 132,476	$ 75,177	$ 35,499	$ 3,376	$ 1,368,473	$ 1,092,096		$ 33,076	$ 24,253

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows *(Continued)*
Proprietary Funds

Year ended June 30, 2006
(with comparative financial information for year ended June 30, 2005)
(In Thousands)

	Business-type Activities - Enterprise Funds													
	Major Funds								Other Fund					
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Waste Water Enterprise	Port of San Francisco	Laguna Honda Hospital	Market Corporation	Total 2006	Total 2005	Governmental Activities-Internal Service Funds 2006	Governmental Activities-Internal Service Funds 2005
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income (loss)	$ 22,531	$ 14,899	$ 30,354	$ (480,408)	$ (132,956)	$ 23,749	$ 4,159	$ (38,743)	$ 468	$ (555,947)	$ (526,283)	$ (189)	$ 729
Adjustments for non-cash activities:													
Depreciation and amortization	162,009	41,677	10,701	96,967	6,825	37,228	9,536	1,034	266	366,463	393,353	1,185	1,119
Provision for uncollectibles	816	-	339	(378)	-	(799)	156	-	-	134	4,362	-	-
Write-off of capital assets	670	5,731	2,557	-	-	2,214	-	-	-	11,172	26,570	-	-
Other	13,390	(1,322)	7,753	14,004	-	-	345	-	-	34,170	11,977	28	8
Changes in assets/liabilities:													
Receivables, net	(9,448)	(6,121)	(7,685)	(4,984)	941	(1,812)	(1,212)	(4,208)	(6)	(34,533)	11,907	18,513	15,187
Due from other funds	-	-	(1,378)	-	(540)	-	-	-	-	(1,918)	(3)	24	-
Inventories	(28)	122	(6)	(230)	(139)	-	22	82	-	(177)	(5,010)	-	-
Deferred charges and other assets	(351)	-	-	(211)	-	-	1,679	-	(2)	1,115	6,049	-	(26)
Accounts payable	(6,129)	(3,814)	(2,373)	4,732	(114)	(79)	1,701	(1,259)	(77)	(7,412)	(323)	(429)	1,384
Accrued payroll	731	(181)	643	1,320	1,418	996	145	996	-	6,068	5,237	218	120
Accrued vacation and sick leave pay	842	811	273	611	(2,185)	221	88	(1,293)	-	(632)	(260)	206	39
Accrued workers' compensation	(167)	(1,632)	(512)	(9,072)	952	(501)	393	450	-	(10,089)	(4,116)	(46)	(65)
Estimated claims payable	-	2,223	2,997	9,838	-	(3,113)	(363)	-	-	11,582	19,393	-	-
Due to other funds	-	(207)	-	(2,448)	3,653	-	-	2,674	-	3,672	(2,063)	-	-
Deferred credits and other liabilities	6,203	(17,642)	(701)	(177)	-	-	329	-	10	(11,978)	(23,753)	(2,697)	(3,104)
Total adjustments	168,540	19,845	12,608	109,972	10,811	34,355	12,819	(1,524)	211	367,637	443,320	17,004	14,662
Net cash provided by (used in) operating activities	$ 191,071	$ 34,744	$ 42,962	$ (370,436)	$ (122,145)	$ 58,104	$ 16,978	$ (40,267)	$ 679	$ (188,310)	$ (82,963)	$ 16,815	$ 15,391
Reconciliation of cash and cash equivalents to the statement of net assets:													
Deposits and investments with City Treasury:													
Unrestricted	$ 240,171	$ 101,550	$ 121,929	$ 62,311	$ 34,278	$ 55,631	$ 66,065	$ -	$ -	$ 681,935	$ 651,311	$ 7,943	$ 8,196
Restricted	167,191	364,068	-	24,016	-	76,842	4,528	35,498	-	672,143	428,144	-	-
Unrestricted deposits and investments outside City Treasury	120	40	10	6,185	10	3	13	1	3,376	9,758	8,017	25,133	16,057
Total deposits and investments	407,482	465,658	121,939	92,512	34,288	132,476	70,606	35,499	3,376	1,363,836	1,087,472	33,076	24,253
Add: Restricted deposits and investments outside City Treasury meeting the definition of cash equivalents	-	-	-	968	-	-	4,571	-	-	5,539	4,845	-	-
Less: investments not meeting the definition of cash equivalents	(902)	-	-	-	-	-	-	-	-	(902)	(221)	-	-
Cash and cash equivalents at end of year on statement of cash flows	$ 408,580	$ 465,658	$ 121,939	$ 93,480	$ 34,288	$ 132,476	$ 75,177	$ 35,499	$ 3,376	$ 1,368,473	$ 1,092,096	$ 33,076	$ 24,253

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Deposits and investments with City Treasury	$ 70,387	$ 553,370	$ 100,125
Deposits and investments outside City Treasury:			
Cash and deposits	22,749	109	120
Short term bills and notes	943,168	-	-
Debt securities	3,669,902	-	-
Equity securities	7,197,575	-	-
Real estate	1,316,852	-	-
Venture capital	1,492,752	-	-
Receivables:			
Employer and employee contributions	23,706	-	35,151
Brokers, general partners and others	133,277	-	-
Interest and other	41,380	3,086	109,718
Invested securities lending collateral	2,040,873	-	-
Deferred charges and other assets	-	-	26,658
Total assets	16,952,621	556,565	$ 271,772
Liabilities			
Accounts payable	13,116	9,123	$ 53,546
Estimated claims payable	8,888	-	-
Agency obligations	-	-	218,226
Obligations under fixed coupon dollar reverse repurchase agreements	99,141	-	-
Payable to brokers	209,422	-	-
Securities lending collateral	2,040,873	-	-
Deferred credits and other liabilities	41,619	-	-
Total liabilities	2,413,059	9,123	$ 271,772
Net Assets			
Held in trust for pension and other employee benefits and external pool participants	$ 14,539,562	$ 547,442	

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2006

(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:		
Employees' contributions	$ 233,228	$ -
Employer contributions	531,240	-
Contributions to pooled investments	-	2,572,088
Total contributions	764,468	2,572,088
Investment income:		
Interest	230,005	15,894
Dividends	144,493	-
Net increase in fair value of investments	1,337,743	-
Securities lending income	77,358	-
Fixed coupon dollar reverse repurchase agreement income	5,467	-
Total investment income	1,795,066	15,894
Less investment expenses:		
Securities lending borrower rebates and expenses	(67,909)	-
Fixed coupon dollar reverse repurchase finance charges and expenses	(5,372)	-
Other expenses	(40,785)	-
Total investment expenses	(114,066)	-
Total additions, net	2,445,468	2,587,982
Deductions:		
Benefit payments	1,067,953	-
Refunds of contributions	8,719	-
Distribution from pooled investments	-	2,361,025
Administrative expenses	11,222	-
Total deductions	1,087,894	2,361,025
Change in net assets	1,357,574	226,957
Net assets at beginning of year	13,181,988	320,485
Net assets at end of year	$ 14,539,562	$ 547,442

The notes to the financial statements are an integral part of this statement.

(1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (The Authority) - The voters of the City created the Authority in 1989 to impose a voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Authority. The Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Authority can be obtained from their finance and administrative offices at 100 Van Ness Avenue, 26th Floor, San Francisco, CA 94102.

San Francisco City and County Finance Corporation (The Finance Corporation) - The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (The Parking Authority) - The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (DPT). The DPT consists of five commissioners appointed by the mayor. Upon creation of the DPT, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the DPT. The staff and fiscal operations of the Parking Authority were also incorporated into the DPT. Beginning on July 1, 2002, the responsibility for overseeing the operations of the DPT became the responsibility of the Municipal Transportation Agency (MTA) pursuant to Proposition E which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the MTA administrative offices at 1 South Van Ness Avenue, 7th Floor, San Francisco, CA 94102.

Discretely Presented Component Units

San Francisco Redevelopment Agency (The Agency) - The Agency is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern it. The Agency has adopted as its mission the creation of affordable housing and economic development opportunities Citywide. Included in its financial data are the accounts of the San Francisco Redevelopment Financing Authority (SFRFA), a blended component unit of the Agency. The

SFRFA is a separate joint-powers authority formed between the Agency and the City to facilitate the long-term financing of Agency activities. The Agency's governing commission serves as the Board of Directors of the SFRFA.

In May 2002, the Public Initiatives Development Corporation (PIDC) was formed to develop affordable housing on the Agency's behalf. PIDC is reported as a blended component unit of the Agency, due to the Board of PIDC being comprised of management of the Agency and other appointed individuals. Future funding will be dependent on the Agency and as such, PIDC is reported as a blended component unit of the Agency.

The Agency's governing body is not substantively the same as that of the City, and the Agency does not provide services entirely or almost entirely to the City. The Agency is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the Agency through the appointment of the Agency's Board and the ability of the City to approve the Agency's budget. Disclosures related to the Agency, where significant, are identified separately throughout these notes. Complete financial statements can be obtained from the Agency's finance department, 1 South Van Ness Avenue, San Francisco, CA 94103.

Treasure Island Development Authority (TIDA) - The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 410 Palm Avenue, Building 1, Room 223, Treasure Island, San Francisco, CA 94130.

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, Private Industry Council of San Francisco, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, which are also excluded from the City's reporting entity.

(2) Summary of Significant Accounting Policies

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior-year summarized comparative information. This information is presented only to facilitate financial analysis.

(b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.

The ***Water Department Fund*** accounts for the activities of the San Francisco Water Department (Water Department). The Water Department is engaged in the distribution of water to the City and certain suburban areas.

The ***Hetch Hetchy Water and Power Fund*** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.

The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI), San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the operations of the Department of Parking and Traffic (DPT), which includes the Parking Authority. MUNI was established in 1912 and is responsible for the operations of the City's public transportation system. SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to the City's public transportation system. DPT is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. DPT is a separate department of the MTA. The parking garages fund accounted for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.

The ***General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital Medical Center (SFGH), a City-owned acute care hospital.

The ***Wastewater Enterprise Fund*** (formerly known as the Clean Water Program) was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City municipal sewage treatment and disposal system.

The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital, the City-owned skilled nursing facility which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds

account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.

The ***Pension and Other Employee Benefit Trust Funds*** reflect the activities of the Employees' Retirement System and the Health Service System. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries.

The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts are accounted for within the Investment Trust Fund.

The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California, human welfare, community health and transportation programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Water Department and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Budgetary Data

The City adopts annual budgets for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certain debt service funds which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy

decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps are summarized as follows:

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

Generally, new or one-time federal and state grants, other capital projects, and debt issues are budgeted by the Mayor and the Board of Supervisors through a supplemental appropriation.

(d) Deposits and Investments

Investment in the Treasurer's Pool

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer who reports on a monthly basis to the Board of Supervisors manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuance of the Enterprise Funds and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Employees' Retirement System and deposits and investments of the Redevelopment Agency are held by trustees (note 5).

The San Francisco Unified School District (school district), San Francisco Community College District (community college district), and the City are involuntary participants in the City's investment pool. As of June 30, 2006, involuntary participants accounted for approximately 94 percent of the pool. Voluntary participants accounted for 6 percent of the pool. Further, the school district, community college district, the Trial Courts of the State of California, and the Transbay Joint Powers Authority are external participants of the City's pool. At June 30, 2006, $547 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these three external participants is 15 percent. Internal participants accounted for 85 percent of the pool.

For reports on the external investment pool, contact the Office of the Treasurer, Room 140, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Investment Valuation

Treasurer's Pool - All investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund.

Employees' Retirement System (Retirement System) - Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. Purchases and sales of investments are recorded on a trade date basis. The fair values of real

estate holdings are estimated primarily on appraisals prepared by third-party appraisers. Such market value estimates involve subjective judgments, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction.

The fair values of venture capital investments are estimated based primarily on audited financial statements provided to the individual fund managers. Such market value estimates involve subjective judgments, and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

The City Charter and Retirement System Board policies permit the Retirement System to use investments of the Retirement System's Pension Plan (the Plan) to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral, with a simultaneous agreement to return collateral for the same securities in the future. The collateral may consist of cash or noncash; noncash collateral is generally U.S. treasuries or other U.S. government obligations. The Retirement System's securities custodians are agents in lending the Plan's domestic securities for cash collateral of 102% and international securities for cash collateral of 105%. Contracts with the lending agents require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or if the borrowers fail to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

Either the Retirement System or the borrower can terminate all securities loans on demand, although the average term of the loans is seventy-five days. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted-average maturity of eighty-four days. In lending international securities, cash collateral is invested in a separate short-term investment pool, which at year-end had a weighted-average maturity of thirty-nine days. The relationship between the maturities of the investment pools and the Retirement System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Retirement System cannot determine. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan. Cash received as collateral on securities lending transactions is reported as an asset, and liabilities from these transactions are reported in the statement of net assets. Additionally, the costs of securities lending transactions, such as borrower rebates and fees, are recorded as expenses.

The City Charter and Retirement System Board policies permit the Retirement System to use investments to enter into fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of the securities underlying fixed coupon dollar repurchase agreements equals the cash received. If the dealers default on their obligations to resell these securities to the Retirement System at the agreed-upon buy back price, the Retirement System could suffer an economic loss if the securities have to be purchased at a higher price (than the agreed-upon buy back price) in the open market. This credit exposure at June 30, 2006 was approximately $734 thousand.

Other funds - Non-pooled investments are also generally carried at fair value. However, money market investments (such as short term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations), and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity at the time of purchase of one year or less are carried at amortized cost, which approximates fair value. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Component Unit – San Francisco Redevelopment Agency (The Agency) – The Agency pools deposits and investments, except for certain investments restricted for developers' deposits and pledged assets relating to specific projects. The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2006. Money market investments (such as short-term,

highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity of less than one year at the date of purchase are valued at the amortized cost, which approximates fair value as of June 30, 2006.

Investment Income

Income from pooled investments is allocated at month end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental funds, Internal Service, Investment Trust and Agency Funds.

It is the City's policy to charge interest at month end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, MTA, Laguna Honda Hospital, General Hospital Medical Center, and the Internal Service Funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

(e) Loans Receivable

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred credit account.

The Mayor's Office of Housing (MOH) administers several housing programs and issues loans to qualified applicants. During fiscal year 2005-2006, the MOH reevaluated its methodology for calculating the allowance for uncollectible loans. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. As a result of this change in methodology, the City recorded an expense of $218 million in the government-wide statement of activities to increase the allowance for those loan portfolios which meet the City's policy criteria. Of this amount, $179 million is related to loans outstanding at the beginning of the year. They are accounted for in the other governmental funds as long-term loans receivable with an allowance for forgivable loans, and an offsetting deferred credit account. Accordingly, $383.9 million of the $450.9 million loan portfolio is not expected to be ultimately collected as of June 30, 2006.

For purposes of the government-wide financial statements, long-term loans are not offset by deferred credit accounts.

(f) Inventory

Inventory recorded in the proprietary funds primarily consists of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types also use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(g) Redevelopment Agency Property Held for Resale

Property held for resale are both residential and commercial and are recorded as an asset at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. Property held for sale may, during the period it is held by the Agency, generate rental income, which is recognized as it becomes due and is considered collectible.

(h) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, and easements of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and Improvements	15 to 175
Infrastructure	15 to 70
Machinery and Equipment	2 to 75
Easements	20

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(i) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination.

Sick leave may be accumulated up to six months, except for Local 21 members, who are all entitled to accumulate all unused sick leave. Unused amounts accumulated prior to December 6, 1978 are vested and payable upon termination of employment by retirement or disability caused by industrial accident or

death. Effective July 1, 2002, the City established a pilot "Wellness Incentive Program" (the Program) to promote workforce attendance. The Program was initially negotiated as part of the July 1, 2001 to June 30, 2004 labor contract between the City and forty-one labor organizations, representing about 48% of the City's workforce. It is described in several Memorandums of Understanding (MOUs) dated since July 1, 2001, between the City and the affected labor organizations. Under the terms of these MOUs and the labor contracts, the Program is in effect from July 1, 2002 and will sunset by June 30, 2009.

This Program provides:

> Effective July 1, 2002, any full-time employee leaving the employment of the City upon service or disability retirement may receive payment for a portion of sick leave earned but unused at the time of separation. The amount of this payment shall be equal to 2.5% of sick leave balances earned but unused at the time of separation times the number of whole years of continuous employment times an employee's salary rate, exclusive of premiums of supplements, at the time of separation. Vested sick leave hours as described by Civil Service Commission rules, shall not be included in this computation.

The City accrues for all salary-related items, including the Program, in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

(j) Bond Issuance Costs, Premiums, Discounts and Interest Accretion

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. San Francisco International Airport's bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The remaining bond premiums, discounts, and issuance costs are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide and proprietary fund financial statements.

(k) Fund Equity

Reservations of Fund Equity

Reservations of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally segregated for a specific future use. Following is a brief description of the nature of certain reserves.

Reserve for rainy day - The City's Charter requires that the City set aside funds into a reserve account in years in which revenue growth exceeds five percent compared to the year before. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent.

Reserve for assets not available for appropriation - Certain assets, primarily cash and investments outside City Treasury and deferred charges, do not represent expendable available financial resources. Therefore, a portion of fund equity is reserved to offset the balance of these assets.

Reserve for debt service - The fund balance of the debt service funds is reserved for the payment of debt service in the subsequent year.

Reserves for encumbrances - Encumbrances are recorded as reservations of fund balances because they do not constitute expenditures or liabilities. In certain other governmental funds, this accounting treatment results in a deficit unreserved fund balance. This deficiency is carried forward to the next fiscal year where it is applied against estimated revenues in the year the commitments are expended.

Reserve for appropriation carryforward - At the end of the fiscal year, certain budgeted expenditures are authorized to be carried over and expended in the ensuing year. A reserve of fund balance is established in the amount of these budget authorizations.

Reserve for subsequent years' budgets - A portion of fund balance is reserved for subsequent years' budgets. This balance includes the reserve required by the City's Administrative Code for the budget incentive program for the purpose of making additional funds available for items and services that will improve the efficient operations of departments.

Restricted Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Assets* - This category represents net assets that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2006, the government-wide statement of net assets reported restricted assets of $428.6 million in governmental activities and $437.4 million in business-type activities. For governmental activities, $23.7 million is restricted by enabling legislation.

- *Unrestricted Net Assets* - This category represents net assets of the City, not restricted for any project or other purpose.

Designations of Fund Equity

Designations of fund balances (note 4) indicate that portion of fund balance that is not available for appropriation based on management's plans for future use of the funds. Following is a brief description of the nature of the designation as of June 30, 2006.

Designation for litigation and contingencies - This designation represents management's estimate of anticipated legal settlements or contingencies to be paid in the subsequent fiscal year.

Deficit Net Assets/Fund Balances

The Culture and Recreation Fund had a $0.5 million deficit as of June 30, 2006. It is due to incurring costs for grant programs before receiving grant resources. It will be eliminated once the resources become available.

The Environmental Protection Fund has a $7 thousand deficit as of June 30, 2006. It is due to incurring costs for grant programs before receiving grant resources. It will be eliminated once the resources become available.

The Moscone Convention Center Fund had a $4.8 million deficit as of June 30, 2006. The deficit will be covered as hotel tax revenues are realized.

The Telecommunications and Information Internal Service Fund had a $2.3 million deficit in total net assets as of June 30, 2006. Approximately $0.6 million of this deficit is due to current year depreciation that is not funded and will result in continuing deficits. The remaining portion of the deficit of total net assets relates to operations and is expected to be reduced in future years through anticipated rate increases or reductions in operating expenses.

(l) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

(1) Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

(2) Reimbursements for expenditures, initially made by one fund which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(m) Refunding of Debt

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2000.

(n) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(o) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Reclassifications

Certain amounts presented as 2004-2005 Summarized Comparative Financial Information in the basic financial statements have been reclassified for comparative purposes to conform to the presentation in the 2005-2006 basic financial statements.

(q) Effects of New Pronouncements

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. In the current year, the City did not identify any prominent events or changes resulting in impairment of capital assets.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1.* This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles* that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. The City implemented this new reporting requirement in the fiscal year 2005-2006 financial statements.

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. This statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The disclosure changes related to this statement are reflected in note 2 (k).

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting standards for termination benefits. More specifically, this statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. Application of this statement is effective for the City in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement will be implemented simultaneously with the requirements of statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. For all other termination benefits, the City has determined this statement does not impact the City's fiscal year 2005-2006 financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the City's fiscal year ending June 30, 2007.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2008.

In September 2006, GASB issued Statement No. 48 "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*." This statement establishes criteria that governments will use to determine whether certain transactions should be regarded as a sale and reported as revenue or regarded as collateralized borrowing and recorded as a liability. Examples of such transactions include the sale of delinquent taxes, certain mortgages, student loans, or future revenue such as those from tobacco settlement agreements. The statement also includes provisions that stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The requirements of this statement are effective for the financial statements for periods beginning after December 15, 2006. The City plans on implementing GASB Statement No. 48 for the fiscal year 2007-2008 financial statements.

In December 2006, GASB issued Statement No. 49 "*Accounting and Financial Reporting for Pollution Remediation Obligations*." This statement issued a standard that will require state and local governments to provide the public with better information about the financial impact of environmental cleanups. This statement is effective for the City's fiscal year ending June 30, 2009.

(r) Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects. In addition, certain grant proceeds are restricted by the granting agency.

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Total fund balances of the City's governmental funds, $1,315,584, differ from net assets of governmental activities, $1,794,618, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental funds balance sheets.

Balance Sheet/Statement of Net Assets (in thousands)

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Assets Totals
Assets					
Deposits and investments with City Treasury	$ 1,503,993	$ -	$ 7,943	$ -	$ 1,511,936
Deposits and investments outside City Treasury	23,752	-	25,133	-	48,885
Receivables, net:					
Property taxes and penalties	42,586	-	-	-	42,586
Other local taxes	168,457	-	-	-	168,457
Federal and state grants and subventions	154,086	-	-	-	154,086
Charges for services	22,194	-	-	-	22,194
Interest and other	15,219	-	913	-	16,132
Due from other funds	34,819	-	-	(34,819)	-
Due from component unit	4,806	-	-	-	4,806
Loans receivable, net	74,041	-	-	-	74,041
Capital assets, net	-	2,670,387	4,475	-	2,674,862
Deferred charges and other assets	8,972	14,338	7,000	-	30,310
Total assets	2,052,925	2,684,725	45,464	(34,819)	4,748,295
Liabilities					
Accounts payable	172,861	-	5,904	-	178,765
Accrued payroll	62,774	-	1,603	-	64,377
Accrued vacation and sick leave pay	-	128,594	3,930	-	132,524
Accrued workers' compensation	-	201,376	1,105	-	202,481
Estimated claims payable	-	69,477	-	-	69,477
Accrued interest payable	-	6,459	1,305	-	7,764
Deferred tax, grant and subvention revenues	63,915	(61,494)	-	-	2,421
Due to other funds/internal balances	62,785	-	-	(34,819)	27,966
Deferred credits and other liabilities	225,006	(101,618)	1,723	-	125,111
Bonds, loans, capital leases, and other payables	150,000	1,761,111	231,680	-	2,142,791
Total liabilities	737,341	2,003,905	247,250	(34,819)	2,953,677
Fund balances/net assets					
Total fund balances/net assets	1,315,584	680,820	(201,786)	-	1,794,618
Total liabilities and fund balances/net assets	$ 2,052,925	$ 2,684,725	$ 45,464	$ (34,819)	$ 4,748,295

(1) When capital assets (land, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets	$ 3,361,174
Accumulated depreciation	(690,787)
	$ 2,670,387

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets. $ 14,338

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued vacation and sick leave pay	$ (128,594)
Accrued workers' compensation	(201,376)
Estimated claims payable	(69,477)
Bonds, loans, capital leases, and other payables	(1,761,111)
Deferred credits and other liabilities	(903)
	$ (2,161,461)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. $ (6,459)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred tax, grant and subvention revenue	$ 61,494
Deferred credits and other liabilities	102,521
	$ 164,015

(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Net deficit before adjustments	(1,236)
Adjustments for internal balances with San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(232,802)
Deferred charges and other assets	4,300
Deferred credits and other liabilities	27,952
	$ (201,786)

In addition, intrafund receivables and payables among various internal service funds of $0.3 million are eliminated.

(b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, $247,328, differs from the change in net assets for governmental activities $293,536, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities (in thousands)

	Total Governmental Funds	Long-term Revenues/ Expenses(3)	Capital-related Items(4)	Internal Service Funds(5)	Long-term Debt Transactions(6)	Statement of Activities Totals
Revenues						
Property taxes	$ 1,008,151	$ 8,069	$ -	$ -	$ -	$ 1,016,220
Business taxes	323,153	-	-	-	-	323,153
Other local taxes	595,664	-	-	-	-	595,664
Licenses, permits and franchises	27,662	-	-	-	-	27,662
Fines, forfeitures and penalties	14,449	-	-	-	-	14,449
Interest and investment income	70,046	250	-	833	-	71,129
Rents and concessions	52,426	1,185	-	-	-	53,611
Intergovernmental:						
Federal	350,985	-	-	-	-	350,985
State	565,989	(233)	-	-	-	565,756
Other	23,500	-	-	-	-	23,500
Charges for services	263,994	-	-	-	-	263,994
Other revenues	61,565	-	202,013	-	-	263,578
Total revenues	3,357,584	9,271	202,013	833	-	3,569,701
Expenditures/Expenses						
Expenditures:						
Public protection	787,398	(11,261)	8,523	(4,018)	-	780,642
Public works, transportation and commerce	274,669	(213)	8,143	(10,202)	-	272,397
Human welfare and neighborhood development	697,102	160,769	525	-	-	858,396
Community health	471,741	6,188	915	-	-	478,844
Culture and recreation	256,979	(3,941)	19,089	(8,789)	(18,915)	244,423
General administration and finance	161,195	(8,939)	15,495	(261)	-	167,490
General City responsibilities	53,763	(5,329)	-	(175)	795	49,054
Debt service:						
Principal retirement	86,970	-	-	-	(86,970)	-
Interest and fiscal charges	75,975	-	-	8,200	10,748	94,923
Bond issuance costs	1,933	-	-	-	(1,933)	-
Capital outlay	153,493	-	(153,493)	-	-	-
Total expenditures/expenses	3,021,218	137,274	(100,803)	(15,245)	(96,275)	2,946,169
Other financing sources (uses)/changes in net assets						
Net transfers (to) from other funds	(330,632)	-	-	636	-	(329,996)
Issuance of bonds and loans:						
Face value of bonds issued	219,120	-	-	-	(219,120)	-
Face value of loans issued	5,359	-	-	-	(5,359)	-
Premium on issuance of bonds	10,233	-	-	-	(10,233)	-
Other financing sources - capital leases	6,882	-	-	(6,882)	-	-
Total other financing sources (uses)/changes in net assets	(89,038)	-	-	(6,246)	(234,712)	(329,996)
Net change for the year	$ 247,328	$ (128,003)	$ 302,816	$ 9,832	$ (138,437)	$ 293,536

(3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. $ 8,069

Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities. 1,202

$ 9,271

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net assets were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the decrease in long-term liabilities exceeded expenses reported in the statement of activities that do not require the use of current financial resources. $ 19,058

Some expenditures reported in the governmental funds pertain to the establishment of deferred credits on long-term loans since the loans are not considered "available" to pay current period expenditures. The deferred credits are not reported in the statement of net assets and, therefore, the related expenses are not reported in the statement of activities. (156,332)

$ (137,274)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets. In fiscal year 2005-2006, the City received the newly constructed deYoung Museum from the Fine Arts Museums of San Francisco.

Capital expenditures	$ 168,710
Depreciation expense	(66,776)
Loss on disposal of capital assets	(9)
Write-off of construction in progress	(1,122)
Capital contribution - received newly constructed deYoung Museum from the Fine Arts Museums of San Francisco	202,013
Difference	$ 302,816

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. $ 9,832

(6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to lessee.

Total property rent payments $ 18,915

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs	$ 1,933
Amortization of bond issuance costs	(795)
Difference	$ 1,138

Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized in the statement of net assets. This is the amount of premiums capitalized during the current period..... $ (10,233)

Repayment of bond principal is reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made.....	$ 86,970

Bond and loan proceeds and capital leases are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and do not affect the statement of activities. Proceeds were received from:

General obligation bonds.....	$ (219,120)
Loans.....	(5,359)
	(224,479)
	$ (137,509)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, (2) amortization of bond discounts, premiums and refunding losses which are expended within the fund statements, and (3) additional interest expense was recognized on the accrual of an arbitrage rebate liability which will not be recognized in the governmental funds until the liability is due and payable.

Decrease in accrued interest.....	$ 58
Interest payment on capital lease obligations on the Moscone Convention Center.....	(10,784)
Amortization of bond premiums, discounts and refunding losses.....	784
Increase in arbitrage rebate liability.....	(806)
	$ (10,748)

(4) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (note 6).

The fund balance of the General Fund as of June 30, 2006 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows (in thousands):

	General Fund
Fund Balance - Budget Basis	$ 478,001
Unrealized Gains/(Losses) on Investments	(562)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(23,806)
Deferred Charges and Other	(3,067)
Reserved for Assets Not Available for Appropriation	10,710
Fund Balance - GAAP Basis	$ 461,276

General Fund Budget basis fund balance at June 30, 2006 is composed of the following (in thousands):

Reserved for Rainy Day - Economic Stabilization Reserve	$ 97,910	
Reserved for Rainy Day - One-Time Spending Account	24,066	
Reserved for Encumbrances	38,159	
Reserved for Appropriation Carryforward	124,009	
Reserved for Subsequent Years' Budgets:		
Baseline Appropriation Funding Mandates	5,232	
Budget Savings Incentive Program	2,628	
Budget Savings Incentive Program - Recreation and Park	3,366	
Litigation	2,877	
Salaries and benefits costs (MOU)	13,349	
Total Reserved Fund Balance		$ 311,596
Designated for Litigation and Contingencies	20,823	
Unreserved, Undesignated Fund Balance - Available for Appropriation	145,582	
Total Unreserved Amounts		166,405
Fund Balance, June 30, 2006 - Budget basis		$ 478,001

Of the $145.6 million unreserved, undesignated fund balance – available for appropriation, $99.5 million has been subsequently appropriated as part of the General Fund budget for use in fiscal year 2006-2007.

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows (dollars in thousands):

	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with City Treasury	$ 1,511,936 [1]	$ 681,935	$ 723,882 [2]	$ 2,917,753	$ 1,268
Deposits and investments outside City Treasury	48,885 [3]	9,758	14,643,227	14,701,870	169,046
Restricted assets:					
Deposits and investments with City Treasury	-	672,143	-	672,143	-
Deposits and investments outside City Treasury	-	310,399	-	310,399	99,210
Invested securities lending collateral	-	-	2,040,873	2,040,873	-
Total deposits and investments	$ 1,560,821	$ 1,674,235	$ 17,407,982	$ 20,643,038	$ 269,524
Cash and deposits	$ (50,915)	$ 5,429	$ 22,711	$ (22,775)	$ 13,077
Investments	1,611,736	1,668,806	17,385,271	20,665,813	256,447
Total deposits and investments	$ 1,560,821	$ 1,674,235	$ 17,407,982	$ 20,643,038	$ 269,524

[1] Includes deposits and investments with the City Treasury of total governmental funds ($1,503,993) and internal service funds ($7,943).

[2] Includes deposits and investments with the City Treasury of pension and other employee benefit trust funds ($70,387), investment trust fund ($553,370) and agency funds ($100,125).

[3] Includes deposits and investments outside the City Treasury of total governmental funds ($23,752) and internal service funds ($25,133).

(b) Cash and Deposits

The City had cash and deposits at June 30, 2006, as follows (in thousands):

	Primary Government						Component Units	
	Governmental Activities		Business-type Activities		Fiduciary Funds			
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash on hand	$ 1,690	$ -	$ 832	$ -	$ -	$ -	$ 1	$ -
Federally insured deposits	600	600	318	318	100	100	271	271
Collateralized deposits*	(53,705)	22,914	160	150	3,752	3,752	12,805	14,359
Uninsured and uncollateralized	500	500	4,119	3,999	18,859	18,859	-	-
	$ (50,915)	$ 24,014	$ 5,429	$ 4,467	$ 22,711	$ 22,711	$ 13,077	$ 14,630

* Under the City's cash management policy, investments are converted to cash as checks are presented for payment. At June 30, 2006, the carrying amount of collateralized deposits has been reduced by the amount of outstanding checks of approximately $78 million. Of the $78 million of outstanding checks, $8.2 million relates to the San Francisco Unified School District and Community College District, which have been reflected in an investment trust fund.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. In addition, the City's investment policy states that mortgage-backed collateral will not be accepted. As of June 30, 2006, $2.06 million and $15.1 million of the business-type activities and the Retirement System's bank balances, respectively, were exposed to custodial credit risk by not being insured or collateralized.

(c) Investment Policies

Cash and Cash Equivalents

The City's cash and cash equivalents include all highly liquid investments and are considered to be cash on hand, restricted assets demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Treasurer's Pool

The City's investment policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and yield. The City has established a Treasury Oversight Committee (Oversight Committee), comprised of various City officials and representatives of agencies with large cash balances, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits a comprehensive investment report to the members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

Although the California Government Code and the City's investment policy do not limit the amount of City funds that may be invested in treasury bills and treasury notes, purchases of treasury bonds are restricted to a maximum of five percent of the total portfolio at the time of purchase. Further, the California Government Code does not limit the amount of City funds that may be invested in federal agency instruments. However, the City's investment policy requires that investments in federal agencies should neither exceed 60 percent of the total portfolio at the time of purchase nor have a weighted average maturity in excess of 270 days. If it exceeds 270 days, the total should not exceed 30 percent of the total par value of the portfolio. The investment policy also limits each type of agency instrument.

The City's investment policy also limits the purchase of negotiable certificates of deposit to the five largest domestic commercial banks that have demonstrated profitability in their most recent audited financial statements at the time of purchase. In addition, the investment policy requires that public time deposits be made only at approved financial institutions with at least one full service branch within the geographical boundaries of the City, and that they yield a minimum of 0.125% higher than equal maturity U.S. Treasury instruments. The investment policy restricts exposure to $100,000 for all savings institutions and requires that each deposit be fully guaranteed by the Federal Deposit Insurance Corporation. The investment policy also requires that commercial bank deposits be made on a

competitive basis with risk exposure based on financial statements and related information gathered on each individual bank.

Also, the California State Government Code requires that the Treasurer purchase only domestic commercial paper with maturities not to exceed 270 days and that the issuer must be rated in the highest ranking by at least one of the national rating agencies. However, the Treasurer's investment policy is more restrictive in that it requires that the Treasurer purchase only domestic commercial paper with maturities not to exceed 180 days.

The table below identifies the investment types that are authorized for the City, along with the related interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills	N/A	None	None
U.S. Treasury Notes	N/A	None	None
U.S. Treasury Bonds	N/A	5%	None
U.S. Agency Securities	N/A	60%	None
Commercial Paper Discounts	180 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Public Time Deposit	1 year	None	None
Public Demand Accounts	N/A	None	None
Bankers Acceptances	180 days	40%	30%
Repurchase Agreements	30 days	None	None
Reverse Repurchase Agreements	45 days	None	$75 million

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

The investment policy permits investments in domestic and international debt and equity securities; real estate; and alternative investments, which include investments in a variety of commingled partnership vehicles.

San Francisco Redevelopment Agency

The investment policy of the Redevelopment Agency is governed by Article 2 of the California Government Code (Code). Investments are restricted to certain types of instruments and certain of these instruments are only allowed within limits. The Code permits repurchase agreements, but reverse repurchase agreements require the prior approval of the Agency Commission. The Agency does not participate in reverse repurchase agreements or other high-risk investments as defined by the Agency's investment policy. It is the Agency's intention to hold investments until maturity, unless earlier liquidation would result in an investment gain.

Certain investments of the Agency are in the Local Agency Investment Fund (LAIF). LAIF is sponsored by the State Treasurer and prepares its market value report detailing the carrying cost and the estimated fair value for the entire pool. The Agency has used a multiplier provided by LAIF to determine estimated fair values. In addition, the Agency has investments with trustees. These investments are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

(d) Investment Risks

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The following schedule indicates the interest rate risk of the City's investments as of June 30, 2006 (in thousands). The Employees' Retirement System's interest rate risk information begins on page 69.

		Investment Maturities			
	Fair Value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Primary Government:					
Investments in City Treasury:					
U.S. Treasury Bills	$ 334,334	$ 334,334	$ -	$ -	$ -
U.S. Treasury Notes	1,058,972	543,977	514,995	-	-
U.S. Agencies - Discount	800,839	800,839	-	-	-
Commercial paper	812,472	812,472	-	-	-
Negotiable certificates of deposits	639,895	639,895	-	-	-
Public time deposits	4,934	4,934	-	-	-
Less: Treasure Island Development Authority					
Investments with City Treasury	(1,268)	(1,268)	-	-	-
Subtotal investments in City Treasury	3,650,178	$ 3,135,183	$ 514,995	$ -	$ -
Investments Outside City Treasury:					
(Governmental and Business-Type)					
U.S. Treasury Notes	196,354	$ 194,449	$ 1,905	$ -	$ -
U.S. Treasury Bills	16,592	14,147	2,445	-	-
U.S. Agencies - Coupon	5,670	2,221	3,449	-	-
U.S. Agencies - Discount	7,044	7,044	-	-	-
Money market mutual funds	127,284	127,284	-	-	-
Equity securities	829	829	-	-	-
Commercial paper	740	740	-	-	-
Subtotal investments outside City Treasury	354,513	$ 346,714	$ 7,799	$ -	$ -
Employees' Retirement System investments	16,661,122				
Total Primary Government	20,665,813				
Component Units:					
Redevelopment Agency:					
U.S. Agencies - Coupon	52,800	$ 39,369	$ 13,431	$ -	$ -
U.S. Agencies - Discount	10,388	10,388	-	-	-
Bankers' acceptances	10,042	10,042	-	-	-
Commercial paper	10,328	10,328	-	-	-
Certificate of deposit	7,535	7,535	-	-	-
Repurchase agreements	1,302	-	1,302	-	-
State Local Agency Investment Fund	49,383	49,383	-	-	-
Money market mutual funds	92,604	92,604	-	-	-
Guaranteed investment contracts	20,797	-	987	-	19,810
Subtotal Redevelopment Agency	255,179	$ 219,649	$ 15,720	$ -	$ 19,810
Treasure Island Development Authority:					
Investments with City Treasury	1,268	$ 1,268	$ -	$ -	$ -
Subtotal Treasure Island Development Authority	1,268	$ 1,268	$ -	$ -	$ -
Total Component Units	256,447				
Total Investments	$ 20,922,260				

One of the ways that the Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. All security transactions including collateral for repurchase agreements, entered into by the Treasurer are conducted on a deliver-versus-payment basis pursuant to approved custodial safekeeping agreements. Securities are held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits investments to securities with short maturities, such as the following:

- The maximum maturity of commercial paper is 180 days. Investment in commercial paper will comprise not more than 30% of the Agency's portfolio if average maturity is no more than 31 days or 15% if average maturity is more than 31 days.

- The maximum maturity of corporate notes is five years. Investment in corporate notes may not exceed 15% of the Agency's portfolio.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the California Government Code and the City's investment policy and the actual rating as of June 30, 2006 for each investment type in the City's Treasury.

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Total Investment Portfolio
U.S. Treasury Bills	N/A	A-1	9%
U.S. Treasury Notes	N/A	A-1	29%
U.S. Agencies	N/A	A-1	22%
Commercial Paper	A-1	A-1	22%
Negotiable Certificates of Deposits	N/A	A-1	15%

As a means of limiting its exposure to credit risk, the Agency's investment policy limits investments to high-quality securities with an investment grade of A or better, and maintaining a portfolio diversified by type and issuer.

Investment Type	Credit Ratings	Total Investment Portfolio
U.S. Agencies - Coupon	AAA	21%
U.S. Agencies - Discount	AAA	4%
Commercial paper	A-1/P-1+	4%
Repurchase agreements	Not rated	1%
State Local Agency Investment Fund	Not rated	19%
Money market mutual funds	AAAm	36%
Guaranteed investment contracts	AA or Higher	8%
Bankers acceptances	Not rated	4%
Certificates of deposit	N/A	3%

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name.

The Agency does not have a formal investment policy for custodial credit risk for investments. As of June 30, 2006, $1.3 million of the Agency's investments are uninsured and unregistered.

Concentration of Credit Risk

The City diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. U.S. Treasury and Agency securities are not subject to single issuer limitation. More than 5 percent of the City's investments with the City Treasurer are in the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and the Federal National Mortgage Association. These investments represent 9 percent, 7 percent, and 6 percent, respectively, of the City's investments in U.S. Agencies. The City's investments in commercial paper are with Bank of America, U.S. Bank, and Union Bank, with Bank of America representing 15 percent of the total 22 percent investment in commercial paper. The City's investments in negotiable certificates of deposit are with Wells Fargo Bank and Bank of America, with Wells Fargo Bank representing 11 percent of the total 18 percent investment in negotiable certificates of deposit.

In addition, more than five percent of the Airport's investments with its trustees are in Federal Home Loan Bank and Federal National Mortgage Association. These investments represent 51 percent and 48 percent, respectively, of the Airport's investments with its trustees. The Finance Corporation's investments with its trustee are held in Federal Home Loan Bank for 19 percent and Federal National Mortgage Association for 20 percent.

(e) Treasurer's Pool

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2006 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 3,591,164
Equity of internal pool participants	3,043,722
Equity of external pool participants	547,442
Total equity	$ 3,591,164
Statement of Changes in Net Assets	
Net assets at July 1, 2005	$ 2,828,140
Net change in investments by pool participants	763,024
Net assets at June 30, 2006	$ 3,591,164

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2006 (in thousands):

Types of Investment	Rates	Maturities	Par Value	Carrying Value
U.S. government securities	4.42% - 5.16%	07/06/06-03/31/08	$ 1,412,000	$ 1,393,306
Federal agencies	4.85% - 5.21%	07/05/06-02/23/07	810,000	800,839
Negotiable certificate of deposits	5.02% - 5.28%	07/03/06-08/23/06	640,000	639,895
Commercial paper	5.00% - 5.32%	07/05/06-08/22/06	820,000	812,472
Public time deposits	3.00% - 5.40%	07/16/06-06/06/07	5,200	4,934
			$ 3,687,200	3,651,446
Carrying amount of deposits in Treasurer's Pool				(60,282)
Total cash and investments in Treasurer's Pool				$ 3,591,164

(f) Retirement System Investments

The Retirement System's investments as of June 30, 2006 are summarized as follows (in thousands):

Fixed Income Investments:	
Short-term bills and notes	$ 943,168
Debt securities:	
U.S. Government and agencies	1,151,022
U.S. Corporate	2,080,693
International government	329,792
International corporate	108,395
Subtotal debt securities	3,669,902
Total fixed income investments	4,613,070
Equity securities:	
Domestic	4,300,868
International	2,896,707
Total equity securities	7,197,575
Real estate holdings	1,316,852
Venture capital	1,492,752
Investment in lending agent's short-term investment pool	2,040,873
Total Retirement System Investments	$ 16,661,122

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board.

Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2006.

Investment Type	Market Value	Less than 1 year	1-6 years	6-10 years	10+ years
Asset Backed Securities	$ 82,077	$ -	$ 4,176	$ 6,537	$ 71,364
Commercial Mortgage-Backed Securities	469,713	-	11,577	43,743	414,393
Commercial Paper	1,116	1,116	-	-	-
Corporate Bonds	511,778	23,035	202,833	202,684	83,226
Corporate Convertible Bonds	178,396	755	18,961	7,486	151,194
Government Agencies	315,860	-	298,281	13,319	4,260
Government Bonds	915,297	17,482	551,438	174,627	171,750
Government Mortgage-Backed Securities	178,824	-	-	196	178,628
Index Linked Government Bonds	57,720	-	166	25,556	31,998
Loans	15,344	-	15,344	-	-
Mortgages	69,575	-	31,053	12,098	26,424
Municipal/Provincial Bonds	8,252	-	4,385	3,821	46
Non-Government Backed Collateralized Mortgage Obligations	99,106	400	9,575	2,250	86,881
Other Fixed Income	3,000	3,000	-	-	-
Short-term Bills and Notes	75,114	75,114	-	-	-
Total	$ 2,981,172	$ 120,902	$ 1,147,789	$ 492,317	$ 1,220,164

Credit Risk

The Retirement System's fixed income managers are limited within their portfolios to no more than 10% exposure in any single security, with the exception of United States Treasury and government agencies. The following table illustrates the Retirement System's exposure to credit risk excluding obligations of the U.S. government and those explicitly guaranteed by the U.S. government as of June 30, 2006 (amounts in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	C	Not Rated
Asset Backed Securities	$ 82,077	$ 17,954	$ -	$ -	$ 2,065	$ 9,080	$ 763	$ -	$ 52,215
Commercial Mortgage-Backed	469,713	61,276	16,600	10,198	26,756	42,680	9,424	761	302,018
Corporate Bonds	1,395,642	15,709	16,323	52,867	75,844	95,080	148,486	30,101	961,232
Corporate Convertible Bonds	178,396	-	4,584	13,234	35,732	24,370	14,405	2,669	83,402
Government Agencies	315,860	259,760	3,478	470	-	-	-	-	52,152
Government Bonds	337,865	143,801	12,858	68,950	45,921	29,863	10,870	373	25,229
Government Mortgage-Backed Securities	183,684	-	-	-	-	-	-	-	183,684
Index Linked Government Bonds	11,805	3,137	-	-	-	-	-	-	8,668
Mortgages	121,428	-	-	-	-	-	-	-	121,428
Municipal/Provincial Bonds	8,252	-	8,065	187	-	-	-	-	-
Non-Government Backed Collateralized Collateralized Mortgage Obligations	99,105	25,362	480	924	3,041	4,428	3,430	-	61,440
Other fixed Income	18,344	-	-	-	-	-	-	-	18,344
Short-term bills and notes	72,594	-	-	-	-	-	-	-	72,594
Total	$ 3,294,765	$ 526,999	$ 62,388	$ 146,830	$ 189,359	$ 205,501	$ 187,378	$ 33,904	$ 1,942,406

The ratings are the lower of the ratings by Moody's Investors Service (Moody's) and Standard & Poor's (S&P). Investments not rated by either Moody's or S&P are shown as not rated in the above table.

Custodial Credit Risk

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but it is the practice of the Retirement System that all investments are insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2006, $5.7 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

Cash received as securities lending collateral is invested in a securities lending collateral investment pool and is not exposed to custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of investments. As of June 30, 2006, the Retirement System was subjected to foreign currency risk. To mitigate this risk, the Retirement System's investment policy allows international managers to enter into foreign currency exchange contracts limited to hedging currency exposure existing in the portfolio. The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments. The Retirement System's net exposure to foreign currency risk is as follows (in thousands):

Currency	Cash	Equity	Fixed Income	Venture Capital	Swaps	Total
Argentine peso	$ -	$ -	$ 4,621	$ -	$ -	$ 4,621
Australian dollar	157,323	72,271	-	-	-	229,594
Brazilian real	(3,618)	19,573	2,467	-	8,092	26,514
British pound sterling	192,440	427,263	47,495	2,783	-	669,981
Canadian dollar	133,927	94,841	14,679	-	-	243,447
Chilean peso	3,617	-	-	-	-	3,617
Chinese yuan renminbi	80,555	-	-	-	-	80,555
Czech koruna	(2,991)	7,729	-	-	-	4,738
Danish krone	(2,181)	19,690	788	-	-	18,297
Egyptian pound	16	1,777	-	-	2,233	4,026
Euro currency	(508,138)	795,899	109,050	113,130	-	509,941
Hong Kong dollar	(8,632)	86,565	-	-	-	77,933
Hungarian forint	50	5,920	-	-	-	5,970
Indian rupiah	(245)	3,040	-	-	-	2,795
Japanese yen	(1,848)	624,967	86,849	9,390	-	719,358
Kazakhstan tenge	-	-	-	-	1,435	1,435
Malaysian ringgit	63	17,039	-	-	-	17,102
Mexican peso	113	9,135	3,269	-	-	12,517
New Israeli shekel	108	8,946	-	-	-	9,054
New Romanian Leu	5,004	-	-	-	-	5,004
New Taiwan dollar	9,343	-	-	-	-	9,343
New Zealand dollar	(39,204)	2,509	3,137	-	-	(33,558)
Nigerian naira	10	-	-	-	4,155	4,165
Norwegian krone	57,698	21,475	-	-	-	79,173
Peruvian nuevo sol	831	-	-	-	-	831
Philippine peso	3,056	-	-	-	-	3,056
Polish zloty	7,795	10,553	5,995	-	-	24,343
Russian ruble (new)	10,167	-	6,113	-	2,444	18,724
Singapore dollar	10,112	19,032	-	-	-	29,144
South African rand	(2,214)	43,487	-	-	-	41,273
South Korean won	(1,744)	100,929	-	-	-	99,185
Swedish krona	(28,950)	37,402	1,151	-	-	9,603
Swiss franc	46,331	149,627	-	-	-	195,958
Thai baht	(2,749)	10,996	-	-	-	8,247
Turkish lira	4,095	3,312	-	-	-	7,407
Uruguayan peso	46	-	2,725	-	-	2,771
Total	$ 120,186	$ 2,593,977	$ 288,339	$ 125,303	$ 18,359	$ 3,146,164

Investments in forward currency contract investments are commitments to purchase or sell stated amounts of foreign currency. Changes in market value of open contracts are immediately recognized as gains or losses. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of June 30, 2006, the fair value of open contracts is reported as liabilities and can be summarized as follows (in thousands):

Purchase contracts	$ 6,808,465
Sales contracts	(6,821,290)
Net fair value	$ (12,825)

The Retirement System utilized these contracts to hedge (or decrease) the currency risk of foreign investments, to increase investment exposure in foreign currencies beyond the amounts reported as international investment securities, or to settle trades. Additionally, contracts may be used to effectively cancel previous contracts. The impact on market risk of these contracts can be summarized as follows (in thousands):

Contracts used to hedge or to settle trades, net	$ (1,387,002)
Contracts used to increase investment exposure in a foreign currency or to settle trades, net	1,374,177
Net fair value	$ (12,825)

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Collateral cash is pledged at 102% and securities at 105% of the fair market value of domestic securities and non-domestic securities lent. There are no restrictions on the amount of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral.

The Retirement System lent $2,350,346 in securities and received collateral of $364,213 and $2,040,873 in securities and cash, respectively, from borrowers. The Retirement System's securities lending transactions as of June 30, 2006, are summarized in the following table (in thousands):

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities Loaned for Cash Collateral:			
International Corporate Fixed	$ 5,650	$ 5,842	$ -
International Equities	416,062	428,695	-
International Government Fixed	23,431	23,954	-
U.S. Agencies	321,877	327,556	-
U.S. Corporate Fixed	158,598	161,201	-
U.S. Equities	514,048	523,569	-
U.S. Government Fixed	560,925	570,056	-
Securities Loaned with Non-Cash Collateral:			
International Equities	275,659	-	287,816
International Government Fixed	43,837	-	45,547
International UK Gilt	6,314	-	6,498
U.S. Agencies	2,812	-	2,859
U.S. Corporate Fixed	7,162	-	7,278
U.S. Equities	10,297	-	10,479
U.S. Government Fixed	3,674	-	3,736
Total	$ 2,350,346	$ 2,040,873	$ 364,213

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. As of June 30, 2006, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of

rights in the collateral should the borrower of securities fail financially. In addition, the lending agent indemnifies the Retirement System against all borrower defaults.

(g) Supplemental disclosure of non-cash investing, capital and financing activities

San Francisco International Airport

During the fiscal year 2005-2006, the San Francisco International Airport (SFO) issued Second Series Revenue Bonds Issue 33 in 10 separate series. The $467 million in proceeds were deposited immediately into irrevocable trusts to refund certain revenue bonds previously issued.

Other Non-Cash Transactions

The following represents the other non-cash transactions as of June 30, 2006 (in thousands):

	San Francisco International Airport	San Francisco Water Department	Hetch Hetchy Water & Power	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of Francisco	Laguna Honda Hospital	Internal Service Funds	Total 2006
Donated inventory	$ -	$ -	$ -	$ 519	$ -	$ -	$ -	$ -	$ 519
Tenant improvements	-	-	-	-	-	10,947	-	-	10,947
Acquisition of capital assets on accounts payable and capital leases	22,249	15,007	870	2,068	5,823	1,895	142	195	48,249
Total	$ 22,249	$ 15,007	$ 870	$ 2,587	$ 5,823	$ 12,842	$ 142	$ 195	$ 59,715

(6) PROPERTY TAXES

The City is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are due on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the dates of the underlying transaction.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of the property on sales transactions or construction value added after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at the lesser of 2% per year or inflation.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39 which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for debt service amounted to approximately $135 million for the year ended June 30, 2006.

Taxable valuation for the year ended June 30, 2006 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Redevelopment Agency) was approximately $106.9 billion, an increase of 6.2%. The secured tax rate was $1.140 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: $0.65 for general government, $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also $0.140 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 1.36% and 2.52%, respectively, of the current year tax levy, for an average delinquency rate of 1.43% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the County; in return, as the delinquent property taxes and associated penalties and interest are collected, the County retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required, transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve, as of June 30, 2006 was $10.1 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2006, was as follows (in thousands):

Governmental Activities:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 143,640	$ -	$ -	$ 143,640
Construction in progress	292,040	151,705	(82,858)	360,887
Total capital assets, not being depreciated	435,680	151,705	(82,858)	504,527
Capital assets, being depreciated:				
Facilities and improvements	2,140,598	223,653	(141)	2,364,110
Machinery and equipment	256,437	17,646	(3,336)	270,747
Infrastructure	194,466	60,794	-	255,260
Property held under lease	4,816	-	-	4,816
Total capital assets, being depreciated	2,596,317	302,093	(3,477)	2,894,933
Less accumulated depreciation for:				
Facilities and improvements	436,332	42,967	(141)	479,158
Machinery and equipment	210,416	19,412	(3,327)	226,501
Infrastructure	9,243	5,416	-	14,659
Property held under lease	4,280	-	-	4,280
Total accumulated depreciation	660,271	67,795	(3,468)	724,598
Total capital assets, being depreciated, net	1,936,046	234,298	(9)	2,170,335
Governmental activities capital assets, net	$ 2,371,726	$ 386,003	$ (82,867)	$ 2,674,862

Business-type Activities:

Capital asset activity of the business enterprises for the year ended June 30, 2006, was as follows (in thousands):

San Francisco International Airport

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 2,316	$ -	$ -	$ 2,316
Construction in progress	45,042	84,475	(61,327)	68,190
Total capital assets, not being depreciated	47,358	84,475	(61,327)	70,506
Capital assets, being depreciated:				
Facilities and improvements	4,769,544	57,832	(10,205)	4,817,171
Machinery and equipment	65,869	3,664	(905)	68,628
Easements	138,609	758	-	139,367
Total capital assets, being depreciated	4,974,022	62,254	(11,110)	5,025,166
Less accumulated depreciation for:				
Facilities and improvements	1,148,818	152,341	(3,560)	1,297,599
Machinery and equipment	59,464	2,734	(905)	61,293
Easements	53,075	6,934	-	60,009
Total accumulated depreciation	1,261,357	162,009	(4,465)	1,418,901
Total capital assets, being depreciated, net	3,712,665	(99,755)	(6,645)	3,606,265
Capital assets, net	$ 3,760,023	$ (15,280)	$ (67,972)	$ 3,676,771

San Francisco Water Department

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 17,929	$ -	$ -	$ 17,929
Construction in progress	121,863	136,825	(59,033)	199,655
Total capital assets, not being depreciated	139,792	136,825	(59,033)	217,584
Capital assets, being depreciated:				
Facilities and improvements	1,027,836	46,655	-	1,074,491
Machinery and equipment	104,194	13,041	(342)	116,893
Total capital assets, being depreciated	1,132,030	59,696	(342)	1,191,384
Less accumulated depreciation for:				
Facilities and improvements	391,206	33,610	-	424,816
Machinery and equipment	68,451	8,267	(320)	76,398
Total accumulated depreciation	459,657	41,877	(320)	501,214
Total capital assets, being depreciated, net	672,373	17,819	(22)	690,170
Capital assets, net	$ 812,165	$ 154,644	$ (59,055)	$ 907,754

Hetch Hetchy Water and Power

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 4,215	$ -	$ -	$ 4,215
Construction in progress	50,906	15,903	(13,179)	53,630
Total capital assets, not being depreciated	55,121	15,903	(13,179)	57,845
Capital assets, being depreciated:				
Facilities and improvements	443,372	9,413	-	452,785
Machinery and equipment	39,058	1,654	(149)	40,563
Total capital assets, being depreciated	482,430	11,067	(149)	493,348
Less accumulated depreciation for:				
Facilities and improvements	243,263	9,050	-	252,313
Machinery and equipment	27,279	1,651	(123)	28,807
Total accumulated depreciation	270,542	10,701	(123)	281,120
Total capital assets, being depreciated, net	211,888	366	(26)	212,228
Capital assets, net	$ 267,009	$ 16,269	$ (13,205)	$ 270,073

Municipal Transportation Agency

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 26,245	$ -	$ -	$ 26,245
Construction in progress	379,203	90,946	(8,935)	461,214
Total capital assets, not being depreciated	405,448	90,946	(8,935)	487,459
Capital assets, being depreciated:				
Facilities and improvements	383,597	3,826	-	387,423
Machinery and equipment	1,089,266	5,145	(13,147)	1,081,264
Infrastructure	716,725	2,341	-	719,066
Total capital assets, being depreciated	2,189,588	11,312	(13,147)	2,187,753
Less accumulated depreciation for:				
Facilities and improvements	155,713	6,083	-	161,796
Machinery and equipment	316,413	64,941	(12,402)	368,952
Infrastructure	231,683	22,906	-	254,589
Total accumulated depreciation	703,809	93,930	(12,402)	785,337
Total capital assets, being depreciated, net	1,485,779	(82,618)	(745)	1,402,416
Capital assets, net	$ 1,891,227	$ 8,328	$ (9,680)	$ 1,889,875

San Francisco General Hospital Medical Center

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 542	$ -	$ -	$ 542
Construction in progress	2,683	3,097	(1,351)	4,429
Total capital assets, not being depreciated	3,225	3,097	(1,351)	4,971
Capital assets, being depreciated:				
Facilities and improvements	128,432	2,366	-	130,798
Machinery and equipment	48,442	3,232	-	51,674
Total capital assets, being depreciated	176,874	5,598	-	182,472
Less accumulated depreciation for:				
Facilities and improvements	87,617	3,805	-	91,422
Machinery and equipment	39,032	3,020	-	42,052
Total accumulated depreciation	126,649	6,825	-	133,474
Total capital assets, being depreciated, net	50,225	(1,227)	-	48,998
Capital assets, net	$ 53,450	$ 1,870	$ (1,351)	$ 53,969

San Francisco Wastewater Enterprise

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 22,168	$ -	$ -	$ 22,168
Construction in progress	33,558	51,890	(28,652)	56,796
Total capital assets, not being depreciated	55,726	51,890	(28,652)	78,964
Capital assets, being depreciated:				
Facilities and improvements	1,937,406	19,759	-	1,957,165
Machinery and equipment	26,716	8,113	(53)	34,776
Total capital assets, being depreciated	1,964,122	27,872	(53)	1,991,941
Less accumulated depreciation for:				
Facilities and improvements	699,636	35,867	-	735,503
Machinery and equipment	21,267	1,361	(53)	22,575
Total accumulated depreciation	720,903	37,228	(53)	758,078
Total capital assets, being depreciated, net	1,243,219	(9,356)	-	1,233,863
Capital assets, net	$ 1,298,945	$ 42,534	$ (28,652)	$ 1,312,827

Port of San Francisco

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 119,452	$ 1,002	$ -	$ 120,454
Construction in progress	20,394	25,356	(9,839)	35,911
Total capital assets, not being depreciated	139,846	26,358	(9,839)	156,365
Capital assets, being depreciated:				
Facilities and improvements	273,279	9,224	-	282,503
Machinery and equipment	13,477	946	(64)	14,359
Total capital assets, being depreciated	286,756	10,170	(64)	296,862
Less accumulated depreciation for:				
Facilities and improvements	165,473	8,427	-	173,900
Machinery and equipment	8,158	1,109	(64)	9,203
Total accumulated depreciation	173,631	9,536	(64)	183,103
Total capital assets, being depreciated, net	113,125	634	-	113,759
Capital assets, net	$ 252,971	$ 26,992	$ (9,839)	$ 270,124

Laguna Honda Hospital

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 914	$ -	$ -	$ 914
Construction in progress	67,919	65,908	-	133,827
Total capital assets, not being depreciated	68,833	65,908	-	134,741
Capital assets, being depreciated:				
Facilities and improvements	27,388	719	-	28,107
Machinery and equipment	12,907	222	-	13,129
Property held under lease	2,802	43	-	2,845
Total capital assets, being depreciated	43,097	984	-	44,081
Less accumulated depreciation for:				
Facilities and improvements	22,835	715	-	23,550
Machinery and equipment	11,985	216	-	12,201
Property held under lease	135	103	-	238
Total accumulated depreciation	34,955	1,034	-	35,989
Total capital assets, being depreciated, net	8,142	(50)	-	8,092
Capital assets, net	$ 76,975	$ 65,858	$ -	$ 142,833

Other Fund – San Francisco Market Corporation

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, being depreciated:				
Facilities and improvements	$ 9,531	$ 64	$ -	$ 9,595
Machinery and equipment	55	-	-	55
Total capital assets, being depreciated	9,586	64	-	9,650
Less accumulated depreciation for:				
Facilities and improvements	4,538	270	-	4,808
Machinery and equipment	-	14	-	14
Total accumulated depreciation	4,538	284	-	4,822
Total capital assets, being depreciated, net	5,048	(220)	-	4,828
Capital assets, net	$ 5,048	$ (220)	$ -	$ 4,828

Total Business-type Activities

	Balance July 1, 2005	Increases*	Decreases*	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 193,781	$ 1,002	$ -	$ 194,783
Construction in progress	721,568	474,400	(182,316)	1,013,652
Total capital assets, not being depreciated	915,349	475,402	(182,316)	1,208,435
Capital assets, being depreciated:				
Facilities and improvements	9,000,385	149,858	(10,205)	9,140,038
Machinery and equipment	1,399,984	36,017	(14,660)	1,421,341
Infrastructure	716,725	2,341	-	719,066
Property held under lease	2,802	43	-	2,845
Easements	138,609	758	-	139,367
Total capital assets, being depreciated	11,258,505	189,017	(24,865)	11,422,657
Less accumulated depreciation for:				
Facilities and improvements	2,919,100	250,167	(3,560)	3,165,707
Machinery and equipment	552,049	83,313	(13,867)	621,495
Infrastructure	231,682	22,907	-	254,589
Property held under lease	135	103	-	238
Easements	53,075	6,934	-	60,009
Total accumulated depreciation	3,756,041	363,424	(17,427)	4,102,038
Total capital assets, being depreciated, net	7,502,464	(174,407)	(7,438)	7,320,619
Capital assets, net	$ 8,417,813	$ 300,995	$ (189,754)	$ 8,529,054

* The increases and decreases include transfers of categories of capital assets from properties held under lease to facilities and improvements.

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities	
Public protection	$ 9,180
Public works, transportation, and commerce	14,984
Human welfare and neighborhood development	548
Community health	930
Culture and recreation	25,242
General administration and finance	15,892
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	1,019
Total depreciation expense - governmental activities	$ 67,795
Business-type activities:	
Airport	162,009
Water	41,877
Power	10,701
Transportation	93,930
Hospitals	7,859
Sewer	37,228
Port	9,536
Market	284
Total depreciation expense - business-type activities	$ 363,424

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Department that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Department, Hetch Hetchy Water and Power (Hetch Hetchy), the Wastewater Enterprise, the Municipal Transportation Agency (MTA), Laguna Honda Hospital (LHH), and the Port of San Francisco (Port) that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of MTA, building and structures of LHH, and pier substructures of the Port and totaled $1.6 billion as of June 30, 2006. In addition, the Water Department had utility type assets with useful lives over 100 years, which totaled $4.5 million as of June 30, 2006.

During the fiscal year ended June 30, 2006, the City's enterprise funds incurred total interest expense and interest income of approximately $261.2 million and $53 million, respectively. Of these amounts, interest expense of approximately $7 million was capitalized, while no interest income was received as part of the cost of constructing proprietary capital assets.

During fiscal year ended June 30, 2006, the Water Department, Hetch Hetchy, and the Wastewater Enterprise expensed $5.7 million, $2.6 million, and $2.2 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued. The amounts of the write-off were recognized as other operating expense in the accompanying financial statements.

In addition, the City received a capital contribution of the newly completed de Young Museum from the Fine Arts Museums of San Francisco. The new de Young Museum, with a total cost of $202 million, is located in Golden Gate Park and opened on October 15, 2005. The addition of the asset was included in the facilities and improvements of the governmental activities.

Component Unit –Redevelopment Agency

Capital asset activity of the Redevelopment Agency for the year ended June 30, 2006 was as follows (in thousands):

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Property held under lease	$ 104,968	$ -	$ -	$ 104,968
Construction in progress	22,292	2,628	(9,923)	14,997
Total capital assets, not being depreciated/amortized	127,260	2,628	(9,923)	119,965
Capital assets, being depreciated:				
Facilities and improvements	161,439	10,886	-	172,325
Machinery and equipment	7,827	241	-	8,068
Leasehold improvements	21,602	600	-	22,202
Total capital assets, being depreciated	190,868	11,727	-	202,595
Less accumulated depreciation and amortization for:				
Facilities and improvements	36,015	4,056	-	40,071
Machinery and equipment	7,440	228	-	7,668
Leasehold improvements	7,786	432	-	8,218
Total accumulated depreciation and amortization	51,241	4,716	-	55,957
Total capital assets, being depreciated, net	139,627	7,011	-	146,638
Redevelopment Agency capital assets, net	$ 266,887	$ 9,639	$ (9,923)	$ 266,603

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

Short-Term Obligations

The following is a summary of short-term obligations of the City as of June 30, 2006 (in thousands):

Type of Obligation	Final Maturity Date	Interest Rates	Amount
Governmental activities:			
Commercial paper	2007	3.37 to 3.6%	$150,000

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and enterprise activities for the year ended June 30, 2006, are as follows (in thousands):

	July 1, 2005	Additional Obligations	Current Maturities	June 30, 2006
Governmental activities:				
Commercial paper	$ 150,000	$ -	$ -	$ 150,000
Governmental activities short-term obligations	$ 150,000	$ -	$ -	$ 150,000
Enterprise activities:				
Commercial paper				
San Francisco Water Department	$ 80,000	$ -	$ (80,000)	$ -
Business-type activities short-term obligations	$ 80,000	$ -	$ (80,000)	$ -

San Francisco County Transportation Authority Commercial Paper Notes

In March 2004, the San Francisco County Transportation Authority (the Authority) authorized the issuance of an initial tranche of up to $50 million and in September 2004, the Authority authorized the second tranche of $100 million of a programmed $200 million aggregate principal amount of commercial paper notes (Limited Tax Bonds), Series A and B. The commercial paper notes are issued to provide an interim source of financing for the Authority's New Transportation Expenditure Plan until a permanent financing plan is finalized and implemented. Under this program, the Authority is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable Letter of Credit (LOC), issued by Landesbank Baden-Württemberg, New York Branch in the amount up to $217.8 million, with an expiration date of April 14, 2007. The expiration date of the irrevocable letter of credit was extended through Authority Board Resolution 06-01 on July 12, 2005 to December 29, 2015. The commercial paper notes are secured by a first lien gross pledge of the Authority's ability to levy a half-cent sales tax collected by the California State Board of Equalization. The principal and interest on the commercial paper notes will be payable at each maturity.

As of June 30, 2006, $150 million in commercial paper notes was outstanding and maturing within 1 to 120 days after year-end with interest rates ranging from 3.37% to 3.6%.

San Francisco Water Department

In November 1997, the voters approved Propositions A and B, authorizing up to $304 million in Water Revenue Bonds to fund capital improvements for the San Francisco Water Department. In May and June 1999, the San Francisco Public Utilities Commission and the Board of Supervisors, respectively, approved a commercial paper program to provide short-term financing for capital improvement projects funded under the $304 million Water Revenue Bond Program. There is no outstanding commercial paper

as of June 30, 2006. The commercial paper retired in fiscal year 2005-2006 has interest rates ranging from 2.48% to 3.23%.

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2006 (in thousands):

GOVERNMENTAL ACTIVITIES

Type of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS (a):			
Affordable housing	2021	4.0 to 7.05%	$ 80,305
California Academy of Sciences	2025	3.0 to 5.25%	84,005
Library	2025	2.5 to 5.0%	67,085
Laguna Honda Hospital	2030	3.25 to 5.0%*	299,000
Museums	2019	4.5 to 5.5%	12,660
Parks and playgrounds	2024	2.4 to 5.75%	129,835
Steinhart Aquarium	2025	3.0 to 5.0%	28,180
Schools	2023	2.4 to 5.75%	125,175
Zoo facilities	2025	2.5 to 5.75%	39,145
Refunding	2016	3.0 to 5.75%	366,815
General obligation bonds - governmental activities			1,232,205
LEASE REVENUE BONDS:			
San Francisco Finance Corporation (b) & (e)	2030	2.1 to 5.5%**	231,265
Lease revenue bonds - governmental activities			231,265
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation (c) & (d)	2034	3.0 to 5.3%	276,160
Loans (c), (d) & (f)	2025	2.0 to 7.498%	12,377
Capital leases payable (c) & (f)	2025	1.5 to 7.05%	190,279
Settlement Obligation Bonds (d)	2011	2.4 to 3.05%	32,955
Accrued vacation and sick leave (d) & (f)			132,524
Accrued workers' compensation (d) & (f)			202,481
Estimated claims payable (d) & (f)			69,477
Other long-term obligations - governmental activities			916,253
DEFERRED AMOUNTS:			
Bond issuance premiums			24,983
Bond issuance discounts			(2,341)
Bond refunding			(5,092)
Deferred amounts			17,550
Governmental activities total long-term obligations			$ 2,397,273

Debt service payments are made from the following sources:

(a) Property tax recorded in the Debt Service Fund.
(b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
(c) Revenues recorded in the Special Revenue Funds.
(d) Revenues recorded in the General Fund.
(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
(f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

* Laguna Honda Hospital General Obligation Bonds Series 2005 A and Series 2005 I are fixed rate bonds. Series 2005 B, C and D are variable rate bonds that reset weekly. The remaining interest rates stated above are for Series 2005 A and Series 2005 I. The average interest rate for the variable rate bonds from issuance date of May 26, 2005 through June 30, 2006 was 2.86%. The rate at June 30, 2006 was 3.88%.

** Includes the Moscone Center West Expansion Project, which was financed with variable rate bonds that reset weekly. The average interest rate from issuance date of November 2, 2000 through June 30, 2006 was 1.80%. The rate at June 30, 2006 was 3.88%.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds	2032	3.0 to 8.0%*	$ 4,048,005
San Francisco Water Department:			
Revenue bonds	2032	3.125 to 6.5%	981,765
Accreted interest			2,945
Hetch Hetchy Water and Power:			
Notes, loans, and other payables	2010	3.0%	494
Municipal Transportation Agency:			
Parking and Traffic			
Revenue bonds	2020	4.0 to 5.0%	20,150
Lease revenue bonds	2022	3.8 to 5.5%	9,455
Capital leases	2008	5.11%	57
Notes, loans and other payables**	2010	3.0 to 5.25%	16,041
Downtown Parking - parking revenue refunding bonds	2018	4.0 to 5.375%	10,760
Ellis-O'Farrell - parking revenue refunding bonds	2017	3.5 to 4.7%	4,960
Japan Center Garage Corporation - notes, loans and other payables	2008	6.75%	203
Uptown Parking - revenue bonds	2031	4.5 to 6.0%	18,115
San Francisco General Hospital Medical Center:			
Capital leases	2011	5.0 to 8.5%	3,800
San Francisco Wastewater Enterprise:			
Revenue bonds	2025	3.0 to 5.25%	396,270
State of California - Revolving fund loans	2021	2.8 to 3.5%	118,868
Port of San Francisco:			
Revenue bonds	2010	2.25 to 4.0%	16,550
Notes, loans and other payables	2029	4.5%	3,279
Laguna Honda Hospital:			
Capital leases	2009	3.465%	1,665
Accrued vacation and sick leave			79,563
Accrued workers' compensation			161,654
Estimated claims payable			77,783
Deferred Amounts:			
Bond issuance premiums			64,473
Bond issuance discounts			(16,765)
Bond refunding			(102,775)
Business-type activities total long-term obligations			$ 5,917,315

* Includes Second Series Revenue Bonds Issue 32, which were issued in an auction mode and Issue 33 initially issued as variable rate bonds in a weekly mode. The average interest rate on the Issue 32 was 2.791% for the period July 1, 2005 through June 30, 2006. The average interest rate on the Issue 33 Bonds from inception through June 30, 2006 was 3.415%.

** Includes an unamortized loan premium of $0.7 million for Parking and Traffic.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in their respective enterprise funds.

COMPONENT UNIT

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
SAN FRANCISCO REDEVELOPMENT AGENCY AND FINANCING AUTHORITY:			
Lease Revenue Bonds:			
Moscone Convention Center (a)	2025	2.0 to 7.05%	$ 132,645
Hotel Tax Revenue Bonds (b)	2025	4.4 to 6.94%	64,795
Financing Authority Bonds:			
Tax Allocation Revenue Bonds (c)	2031	2.98 to 8.3%	510,903
South Beach Harbor Variable Rate Refunding Bonds (d)	2017	Variable (3.98% at 6/30/06)	8,500
Less deferred amounts:			
Bond issuance premiums			8,604
Bond issuance discounts			(671)
Refunding loss			(4,043)
Sub-total			720,733
California Department of Boating and Waterways Loan (e)	2037	4.5%	8,000
Accreted interest payable			74,151
Accrued vacation and sick leave pay			2,807
Component unit total long-term obligations			$ 805,691

Debt service payments are made from the following sources:

(a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.

(b) Hotel taxes from hotels located in the Redevelopment Project Areas.

(c) Property taxes allocated to the Redevelopment Agency based on increased assessed valuations in project areas (note 12) and existing debt service/escrow trust funds.

(d) South Beach Harbor Project cash reserves, property tax increments and project revenues.

(e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2006, the City's debt limit (3% of valuation subject to taxation) was $3.4 billion. The total amount of debt applicable to the debt limit was $1.2 billion. The resulting legal debt margin was $2.2 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and certificates of participation and has recognized an arbitrage liability of $0.9 million as of June 30, 2006. This arbitrage liability is reported in deferred credits and other liabilities in the governmental activities of the statement of net assets. The Finance Corporation has evaluated their lease revenue bonds and a liability of $67 thousand was reported in the deferred credits and other liabilities in the Internal Service Fund as of June 30, 2006. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements. Any

material arbitrage liability related to the debt of the enterprise funds has been recorded as a liability in the respective fund. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

Assessment District

During June 1996, the City issued $1 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915. The proceeds were used to finance the construction of a new public right-of-way. The bonds began to mature during the fiscal year ended June 30, 1999 and continue through 2026 bearing interest from 6.0% to 6.85%. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accordingly, the debt has not been included in the basic financial statements. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels.

Mortgage Revenue Bonds

In order to facilitate affordable housing, the City issues mortgage revenue bonds for the financing of multifamily rental housing and for below-market rate mortgage financing for first time homebuyers. These obligations are secured by the related mortgage indebtedness and are not obligations of the City. As of June 30, 2006, the aggregate outstanding obligation of such bonds was $83.1 million.

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2006, are as follows (in thousands):

	July 1, 2005	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2006	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,086,355	$ 219,120	$ (73,270)	$ 1,232,205	$ 75,950
Lease revenue bonds	230,620	19,555	(18,910)	231,265	20,550
Certificates of participation	283,320	-	(7,160)	276,160	9,240
Settlement obligation bond	38,670	-	(5,715)	32,955	5,860
Less deferred amounts:					
For issuance premiums	16,254	10,398	(1,669)	24,983	-
For issuance discounts	(2,425)	-	84	(2,341)	-
On refunding	(5,843)	-	751	(5,092)	-
Total bonds payable	1,646,951	249,073	(105,889)	1,790,135	111,600
Loans	7,961	5,359	(943)	12,377	877
Capital leases	198,703	6,499	(14,923)	190,279	14,582
Accrued vacation and sick leave pay	125,037	82,154	(74,667)	132,524	65,948
Accrued workers' compensation	214,805	25,583	(37,907)	202,481	41,803
Estimated claims payable	83,537	7,046	(21,106)	69,477	23,811
Governmental activities long-term obligations	$ 2,276,994	$ 375,714	$ (255,435)	$ 2,397,273	$ 258,621

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. At the year ended June 30, 2006, $231.3 million of lease revenue bonds, $0.2 million of capital leases, $3.9 million of accrued vacation and sick leave pay and $1.1 million of accrued workers' compensation are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2006, are as follows (in thousands):

	July 1, 2005	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2006	Amounts Due Within One Year
San Francisco International Airport					
Bonds payable:					
Revenue bonds	$ 4,114,431	$ 467,000	$ (533,426)	$ 4,048,005	$ 80,510
Less deferred amounts:					
For issuance premiums	17,109	-	(633)	16,476	-
For issuance discounts	(17,350)	-	1,853	(15,497)	-
On refunding	(60,590)	(12,533)	6,363	(66,760)	-
Total Bonds payable	4,053,600	454,467	(525,843)	3,982,224	80,510
Accrued vacation and sick leave pay	11,490	8,705	(7,865)	12,330	6,306
Accrued workers' compensation	5,119	1,967	(2,134)	4,952	1,492
Estimated claims payable	845	-	(808)	37	15
Long-term obligations	$ 4,071,054	$ 465,139	$ (536,650)	$ 3,999,543	$ 88,323
San Francisco Water Department					
Bonds payable:					
Revenue bonds	$ 486,970	$ 617,880	$ (123,085)	$ 981,765	$ 15,450
Less deferred amounts:					
For issuance premiums	6,687	21,487	(687)	27,487	-
For issuance discounts	(2,758)	(17)	1,507	(1,268)	-
On refunding	(7,411)	(6,702)	554	(13,559)	-
Total bonds payable	483,488	632,648	(121,711)	994,425	15,450
Accreted interest payable	2,749	196	-	2,945	-
Accrued vacation and sick leave pay	9,584	6,993	(6,182)	10,395	5,060
Accrued workers' compensation	10,351	387	(2,019)	8,719	1,860
Estimated claims payable	5,286	4,476	(3,952)	5,800	1,168
Long-term obligations	$ 511,458	$ 644,700	$ (133,874)	$ 1,022,284	$ 23,538
Hetch Hetchy Water and Power					
Notes, loans, and other payables	$ 595	$ -	$ (101)	$ 494	$ 104
Accrued vacation and sick leave pay	1,869	1,255	(982)	2,142	1,105
Accrued workers' compensation	2,450	-	(512)	1,938	395
Estimated claims payable	2,002	7,073	(4,076)	4,999	1,024
Long-term obligations	$ 6,916	$ 8,328	$ (5,671)	$ 9,573	$ 2,628
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds	$ 56,350	$ -	$ (2,365)	$ 53,985	$ 2,450
Lease revenue bonds	10,465	-	(1,010)	9,455	1,050
Less deferred amounts:					
For issuance premiums	940	-	(32)	908	-
Total bonds payable	67,755	-	(3,407)	64,348	3,500
Notes, loans, and other payables	20,575	-	(4,331)	16,244 *	4,331
Capital leases	195	-	(138)	57	38
Accrued vacation and sick leave pay	24,100	708	(97)	24,711	13,977
Accrued workers' compensation	115,352	9,549	(18,621)	106,280	23,911
Estimated claims payable	49,766	18,941	(9,103)	59,604	20,325
Long-term obligations	$ 277,743	$ 29,198	$ (35,697)	$ 271,244	$ 66,082

* Includes an unamortized loan premium of $0.7 million for Parking and Traffic.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2006, are as follows (in thousands) - continued:

	July 1, 2005	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2006	Amounts Due Within One Year
San Francisco General Hospital Medical Center					
Capital leases	$ 2,519	$ 3,474	$ (2,193)	$ 3,800	$ 1,122
Accrued vacation and sick leave pay	14,236	10,869	(9,917)	15,188	8,482
Accrued workers' compensation	22,899	2,144	(4,329)	20,714	4,030
Long-term obligations	$ 39,654	$ 16,487	$ (16,439)	$ 39,702	$ 13,634
San Francisco Wastewater Enterprise					
Bonds payable:					
Revenue bonds	$ 396,270	$ -	$ -	$ 396,270	$ 33,445
Less deferred amounts:					
For issuance premiums	20,381	-	(1,006)	19,375	-
On refunding	(23,397)	-	1,727	(21,670)	-
Total bonds payable	393,254	-	721	393,975	33,445
State of California - Revolving fund loans	134,783	-	(15,915)	118,868	16,430
Accrued vacation and sick leave pay	4,095	2,206	(1,985)	4,316	2,244
Accrued workers' compensation	4,674	317	(818)	4,173	869
Estimated claims payable	9,092	-	(3,113)	5,979	1,247
Long-term obligations	$ 545,898	$ 2,523	$ (21,110)	$ 527,311	$ 54,235
Port of San Francisco					
Bonds payable:					
Revenue bonds	$ 19,940	$ -	$ (3,390)	$ 16,550	$ 3,975
Less deferred amounts:					
For issuance premiums	303	-	(76)	227	-
On refunding	(1,048)	262	-	(786)	-
Total bonds payable	19,195	262	(3,466)	15,991	3,975
Notes, loans, and other payables	3,359	-	(80)	3,279	84
Accrued vacation and sick leave pay	1,692	87	-	1,779	971
Accrued workers' compensation	2,726	1,119	(726)	3,119	555
Estimated claims payable	1,727	517	(880)	1,364	850
Long-term obligations	$ 28,699	$ 1,985	$ (5,152)	$ 25,532	$ 6,435
Laguna Honda Hospital					
Capital leases	$ 2,040	$ 142	$ (517)	$ 1,665	$ 523
Accrued vacation and sick leave pay	8,252	9,559	(9,109)	8,702	5,037
Accrued workers' compensation	13,052	3,797	(5,090)	11,759	2,354
Long-term obligations	$ 23,344	$ 13,498	$ (14,716)	$ 22,126	$ 7,914

A summary of the changes in long-term obligations for all enterprise funds for the year ended June 30, 2006, is as follows (in thousands):

	July 1, 2005	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2006	Amounts Due Within One Year
Total Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 5,073,961	$ 1,084,880	$ (662,266)	$ 5,496,575	$ 135,830
Lease revenue bonds	10,465	-	(1,010)	9,455	1,050
Less deferred amounts:					
For issuance premiums	45,420	21,487	(2,434)	64,473	-
For issuance discounts	(20,108)	(17)	3,360	(16,765)	-
On refunding	(92,445)	(18,973)	8,644	(102,775)	-
Total bonds payable	5,017,292	1,087,377	(653,706)	5,450,963	136,880
Accreted interest payable	2,749	196	-	2,945	-
State of California - Revolving fund loans	134,783	-	(15,915)	118,868	15,430
Notes, loans, and other payables	24,529	-	(4,512)	20,017	4,519
Capital leases	4,754	3,616	(2,848)	5,522	1,693
Accrued vacation and sick leave pay	75,318	40,382	(36,137)	79,563	43,192
Accrued workers' compensation	176,623	19,260	(34,249)	161,634	35,466
Estimated claims payable	68,718	31,007	(21,942)	77,783	24,629
Business-type activities long-term obligations	$ 5,504,766	$ 1,181,858	$ (769,309)	$ 5,917,315	$ 282,739

The changes in long term obligations for the component unit for the year ended June 30, 2006, are as follows (in thousands):

	July 1, 2005	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2006	Amounts Due Within One Year	
Component Unit: San Francisco Redevelopment Agency						
Bonds payable:						
Revenue bonds	$ 675,046	$ 88,610	$ (55,313)	$ 708,343	$ 27,791	
Refunding bonds	10,000	-	(1,500)	8,500	-	
Less deferred amounts:						
For issuance premiums	9,207	93	(696)	8,604	-	
For issuance discounts	(241)	(468)	38	(671)	-	
On refunding	(3,042)	(1,315)	314	(4,043)	-	
Total bonds payable	690,970	86,920	(57,157)	720,733	27,791	
Accreted interest payable	77,025	8,703	(11,577)	74,151	10,809	[1]
Notes, loans, and other payables	8,000	-	-	8,000	-	
Accrued vacation and sick leave pay	2,701	1,198	(1,092)	2,807	1,254	
Component unit - long-term obligations	$ 778,696	$ 96,821	$ (69,826)	$ 805,691	$ 39,854	

[1] This amount is included in accrued interest payable in the accompanying Statement of Net Assets.

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2006, for governmental activities are as follows (in thousands):

	Governmental Activities (1) (2)							
Fiscal Year Ending	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 75,950	$ 59,048	$ 20,550	$ 9,538	$ 15,977	$ 14,566	$ 112,477	$ 83,152
2008	85,175	55,419	19,255	8,780	16,028	14,061	120,458	78,260
2009	89,040	51,395	17,335	8,064	16,617	13,443	122,992	72,902
2010	90,065	47,130	9,135	7,408	17,121	12,876	116,321	67,414
2011	91,860	42,671	8,580	7,044	17,759	12,230	118,199	61,945
2012-2016	340,810	156,108	35,880	30,270	56,906	52,670	433,596	239,048
2017-2021	240,805	81,690	37,840	22,363	47,246	40,077	325,891	144,130
2022-2026	144,140	33,383	43,690	13,526	45,633	28,626	233,463	75,535
2027-2031	74,360	8,214	39,000	4,118	53,695	16,205	167,055	28,537
2032-2036	-	-	-	-	34,510	2,769	34,510	2,769
Total	$ 1,232,205	$ 535,058	$ 231,265	$ 111,111	$ 321,492	$ 207,523	$ 1,784,962	$ 853,692

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) Includes the following variable rate demand notes, the Moscone Center Expansion Project Lease Revenue Bonds and Laguna Honda Hospital General Obligation Bonds. Currently, they bear interest at a weekly rate. The rate at June 30, 2006 was 3.88%, together with an ancillary fee of 0.242% and 0.255% for Moscone bonds and Laguna Honda bonds respectively, was used to project the interest payment in this table.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2006, for each enterprise fund is as follows (in thousands):

	San Francisco International Airport (1)					
Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 80,510	$ 195,107	$ -	$ -	$ 80,510	$ 195,107
2008	94,275	190,127	-	-	94,275	190,127
2009	108,425	186,578	-	-	108,425	186,578
2010	118,795	180,498	-	-	118,795	180,498
2011	143,905	175,598	-	-	143,905	175,598
2012-2016	804,490	768,860	-	-	804,490	768,860
2017-2021	990,050	562,445	-	-	990,050	562,445
2022-2026	1,126,520	310,918	-	-	1,126,520	310,918
2027-2031	564,050	75,527	-	-	564,050	75,527
2032	16,985	858	-	-	16,985	858
Total	$ 4,048,005	$ 2,646,516	$ -	$ -	$ 4,048,005	$ 2,646,516

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2006, for each enterprise fund is as follows (in thousands) - continued:

San Francisco Water Department (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 15,450	$ 49,830	$ -	$ -	$ 15,450	$ 49,830
2008	19,015	45,348	-	-	19,015	45,348
2009	25,395	44,356	-	-	25,395	44,356
2010	26,505	43,259	-	-	26,505	43,259
2011	27,710	42,040	-	-	27,710	42,040
2012-2016	160,770	188,176	-	-	160,770	188,176
2017-2021	148,695	150,491	-	-	148,695	150,491
2022-2026	168,020	112,759	-	-	168,020	112,759
2027-2031	193,945	68,725	-	-	193,945	68,725
2032-2036	165,085	24,807	-	-	165,085	24,807
2037	31,175	741	-	-	31,175	741
Total	$ 981,765	$ 770,532	$ -	$ -	$ 981,765	$ 770,532

Hetch Hetchy Water and Power (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ -	$ -	$ 104	$ 14	$ 104	$ 14
2008	-	-	107	11	107	11
2009	-	-	110	8	110	8
2010	-	-	115	4	115	4
2011	-	-	58	1	58	1
Total	$ -	$ -	$ 494	$ 38	$ 494	$ 38

Municipal Transportation Agency (1) (2)

Fiscal Year Ending	Revenue/Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 3,500	$ 3,162	$ 4,369	$ 725	$ 7,869	$ 3,887
2008	3,650	3,020	4,538	506	8,188	3,526
2009	3,810	2,869	6,381	283	10,191	3,152
2010	3,125	2,726	279	61	3,404	2,787
2011	3,260	2,587	-	-	3,260	2,587
2012-2016	18,785	10,494	-	-	18,785	10,494
2017-2021	15,755	5,617	-	-	15,755	5,617
2022-2026	4,750	2,846	-	-	4,750	2,846
2027-2031	5,500	1,420	-	-	5,500	1,420
2032-2036	1,305	78	-	-	1,305	78
Total	$ 63,440	$ 34,819	$ 15,567	$ 1,575	$ 79,007	$ 36,394

(1) The specific year for payment of accreted interest payable (San Francisco Water Department), estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) Unamortized loan premiums of $0.7 million (MTA) are not included in principal payments.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2006, for each enterprise fund is as follows (in thousands) - continued:

San Francisco Wastewater Enterprise (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 33,445	$ 16,718	$ 16,430	$ 3,701	$ 49,875	$ 20,419
2008	34,500	15,698	13,337	3,168	47,837	18,866
2009	35,665	14,646	13,761	2,744	49,426	17,390
2010	37,130	13,183	14,199	2,307	51,329	15,490
2011	26,320	11,827	14,650	1,856	40,970	13,683
2012-2016	122,615	43,194	36,631	4,369	159,246	47,563
2017-2021	66,890	18,935	9,860	764	76,750	19,699
2022-2026	39,705	3,038	-	-	39,705	3,038
Total	$ 396,270	$ 137,239	$ 118,868	$ 18,909	$ 515,138	$ 156,148

Port of San Francisco (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 3,975	$ 453	$ 84	$ 148	$ 4,059	$ 601
2008	4,070	348	88	144	4,158	492
2009	4,185	222	92	140	4,277	362
2010	4,320	75	96	136	4,416	211
2011	-	-	100	131	100	131
2012-2016	-	-	574	585	574	585
2017-2021	-	-	715	443	715	443
2022-2026	-	-	892	267	892	267
2027-2031	-	-	638	58	638	58
Total	$ 16,550	$ 1,098	$ 3,279	$ 2,052	$ 19,829	$ 3,150

A summary of the annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2006 for business-type activities is as follows (in thousands):

Total Business-type Activities (1) (2)

Fiscal Year Ending	Revenue/Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 136,880	$ 265,270	$ 20,987	$ 4,588	$ 157,867	$ 269,858
2008	155,510	254,541	18,070	3,829	173,580	258,370
2009	177,480	248,671	20,344	3,175	197,824	251,846
2010	189,875	239,741	14,689	2,508	204,564	242,249
2011	201,195	232,052	14,808	1,988	216,003	234,040
2012-2016	1,106,660	1,010,724	37,205	4,954	1,143,865	1,015,678
2017-2021	1,221,390	737,488	10,575	1,207	1,231,965	738,695
2022-2026	1,338,995	429,561	892	267	1,339,887	429,828
2027-2031	763,495	145,672	638	58	764,133	145,730
2032-2036	183,375	25,743	-	-	183,375	25,743
2037-2041	31,175	741	-	-	31,175	741
Total	$ 5,506,030	$ 3,590,204	$ 138,208	$ 22,574	$ 5,644,238	$ 3,612,778

(1) The specific year for payment of accreted interest payable (San Francisco Water Department), estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) Unamortized loan premiums of $0.7 million (MTA) are not included in principal payments.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2006, for the component unit are as follows (in thousands):

Component Unit: San Francisco Redevelopment Agency (1)								
Fiscal Year Ending	Lease Revenue Bonds		Tax Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 5,146	$ 12,728	$ 20,150	$ 26,245	$ 2,495	$ 4,183	$ 27,791	$ 43,156
2008	5,544	13,027	27,198	23,615	2,582	4,024	35,324	40,666
2009	5,350	13,289	26,367	24,177	2,652	3,865	34,369	41,331
2010	5,152	13,565	26,736	23,149	2,799	3,961	34,687	40,375
2011	5,019	13,776	28,414	22,017	3,352	3,493	36,785	39,286
2012-2016	39,119	55,653	168,051	77,792	22,078	14,345	229,248	147,790
2017-2021	55,500	8,138	148,077	27,520	20,258	9,057	223,835	44,715
2022-2026	11,815	1,256	39,865	42,212	21,015	4,058	72,695	47,526
2027-2031	-	-	15,155	4,799	1,932	747	18,087	5,546
2032-2036	-	-	9,890	1,312	2,108	272	11,998	1,584
2037-2041	-	-	-	-	24	1	24	1
Total	$ 132,645	$ 131,432	$ 510,903	$ 272,827	$ 81,295	$ 47,706	$ 724,843	$ 451,965

(1) The specific year for payment of accreted interest payable and accrued vacation and sick leave pay is not practicable to determine.

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2006, are as follows (in thousands):

Governmental Activities - General Obligation Bonds
(in thousands)

Authorized and unissued as of June 30, 2005	$ 565,185
Bonds issued:	
Series 2005E, California Academy of Sciences Improvement Bonds	(79,370)
Series 2005F, Steinhart Aquarium Improvement Bonds	(29,245)
Series 2005G, Branch Library Facilities Improvement Bonds	(34,000)
Series 2005H, Zoo Facilities Bonds	(7,505)
Series 2005I, Laguna Honda Hospital	(69,000)
Net authorized and unissued as of June 30, 2006	$ 346,065

There were no new authorizations on general obligation bonds in fiscal year ended June 30, 2006.

In July 2005, the City issued $150.1 million in General Obligation Bonds, consisting of California Academy of Sciences Improvement Bonds, Series 2005E in the amount of $79.4 million; Steinhart Aquarium Improvement Bonds, Series 2005F in the amount of $29.2 million; Branch Library Facilities Improvement Bonds, Series 2005G, in the amount of $34 million and Zoo Facilities Bonds, Series 2005H in the amount of $7.5 million. Interest rates range from 3.0% to 5.0%. The bonds mature from June 2006 through June 2025. Debt service payments are funded through ad valorem taxes on property.

The California Academy Sciences Bonds were issued to provide funds to finance the acquisition, construction, and reconstruction of certain improvements to the California Academy of Sciences, and all other works, property and structures necessary or convenient for these purposes. The Steinhart

Aquarium Bonds were issued to provide funds to finance the acquisition, construction and reconstruction of certain improvements to the Steinhart Aquarium, and all other works, property and structures necessary or convenient for these purposes. The Branch Library Facilities Bonds were issued to provide funds to finance the acquisition, renovation and construction of branch libraries and other library facilities, convenient for these purposes. The Zoo Facilities Bonds were issued to provide funds to finance the acquisition, construction and/or reconstruction of San Francisco Zoo facilities and properties and all other works, property and structures necessary or convenient for these purposes.

In September 2005, the City issued General Obligation Bonds, Laguna Honda Hospital, Series 2005I in the amount of $69 million. Interest rates range from 4.0% to 5.0%. The bonds mature from June 2008 through June 2030. The bonds were issued to provide funds to finance the acquisition, improvement, construction and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital. Debt service payments are funded through ad valorem taxes on property.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2006 were as follows:

Governmental Activities - Lease Revenue Bonds
(in thousands)

Authorized and unissued as of June 30, 2005	$ 135,554
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	1,980
Current year maturities in Finance Corporation's equipment program	8,720
Bonds issued:	
Series 2005A, San Francisco Finance Corporation	(9,420)
Series 2006A, San Francisco Finance Corporation	(10,135)
Net authorized and unissued as of June 30, 2006	$ 126,699

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amounts that are not applied towards the acquisition or construction of real and personal property such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits until such time as they are used for their intended purposes.

(a) Equipment Lease Program

In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20 million of equipment through a non-profit corporation using tax-exempt obligations.

Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of

June 30, 2006, the total authorized amount is $41.6 million. The total accumulated annual authorization since 1990 is $21.6 million, of which $2 million is new annual authorization for the fiscal year ending June 30, 2006.

The equipment lease program functions as a revolving bond authorization fund. That is, for each dollar in bond principal that is repaid, a new dollar can be issued. The Finance Corporation has issued $123.6 million in equipment lease revenue bonds since 1991. As of June 30, 2006, $94.6 million has been repaid, leaving $29 million in equipment lease revenue bonds outstanding and $12.5 million available for new issuance.

In October 2005, the Finance Corporation issued its thirtieth Series of equipment lease revenue bonds, Series 2005A in the amount of $9.4 million, with interest rates ranging from 3.25% to 5%. The bonds mature from April 2006 to October 2010.

In April 2006, the Finance Corporation issued its fourteenth Series of equipment lease revenue bonds, Series 2006A in the amount of $10.1 million, with interest rates ranging from 3.375% to 4%. The bonds mature from October 2006 to October 2011.

(b) City-wide Communication System

In 1993, the voters approved the issuance of up to $50 million in lease revenue bonds to finance the acquisition and construction of a citywide emergency radio communication system (800 MHz). The Finance Corporation issued two series in January 1998 and January 1999 for $31.2 million and $18.7 million, respectively. As of June 30, 2006, the amount authorized and unissued was $0.1 million. Further, in 1994, the voters approved the issuance of up to $60 million in lease revenue bonds to finance the acquisition and construction of a combined emergency communication center to house the City's 911-emergency communication system. The Finance Corporation issued two series in June 1997 and in June 1998 for $22.6 million and $23.3 million, respectively. As of June 30, 2006, the amount authorized and unissued was $14.1 million.

(c) Moscone Center West Expansion Project

In 1996, the voters approved the issuance of up to $157.5 million in lease revenue bonds for the purpose of financing a portion of the costs of acquiring, constructing, and improving a free-standing expansion to the City's Moscone Convention Center. On November 2, 2000, Series 2000-1, 2000-2 and 2000-3 totaling $157.5 million were issued. Each series of bonds may bear interest at a different rate and in a different interest rate mode from other series of bonds. Currently, the bonds bear interest at a weekly rate.

Fillmore Renaissance Center Project Loan

In July 2005, the City entered into an agreement with the Department of Housing and Urban Development (HUD) for an approved Section 108 Loan in the maximum amount of $5.5 million. The funds were committed to the Fillmore Renaissance Center Project, a mixed-use commercial housing development located in San Francisco Redevelopment Agency's Jazz Preservation District. During the fiscal year 2005-2006, HUD advanced to the City loan funds totaling $5.4 million.

There are quarterly interest payments only in the first two years based on the variable 90-DAY LIBOR rate on the outstanding principal balance. Principal payments will begin in August 2007 through August 2025 at an interest rate to be determined when the loan is converted into a fixed rate financing by the City. The average interest rate on the loan is 4.74% from its first payment in August 2005 through June 30, 2006.

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

In February 2006, the San Francisco International Airport (SFO or Airport) issued its Second Series Variable Rate Revenue Refunding Bonds Issue 33 (Issue 33 Bonds) in ten separate series in the principal amount of $467 million. The Issue 33 Bonds were initially issued as variable rate bonds in a Weekly Mode, subject to conversion by the Airport to another interest rate mode. The initial interest rate was established by the Airport for the interest rate period commencing February 15, 2006 for each series of Issue 33 Bonds.

Each series of the Issue 33 Bonds may bear a different interest rate and be subject to a different mode. As of June 30, 2006, each series of the Issue 33 Bonds was in a Weekly Mode. For the period February 15, 2006 through June 30, 2006, the average interest rate on the Issue 33 Bonds was 3.415%.

Proceeds from the Issue 33 Bonds were deposited into an irrevocable trust with an escrow agent to advance refund certain of the SFO's Second Series Revenue Bonds as follows (in thousands):

	Amount Refunded	Interest Rate	Call Price
Second Series Revenue Bond Issuance:			
Issue 10	$ 162,100	5.125% - 5.700%	$ 102.000
Issue 12	183,725	5.500% - 5.900%	101.000
Issue 13	56,730	5.500% - 8.000%	101.000
Issue 14	51,745	5.500% - 8.000%	101.000
	$ 454,300		

The refunded Second Series Revenue Bonds have final maturity dates ranging from May 1, 2006 to May 1, 2026 and were called on May 1, 2006.

The net proceeds of $463.1 million (after payment of $3.9 million in underwriting fees, insurance and surety premiums, and costs of issuance) plus an additional $6.1 million (net of payment of $2.5 million to a cost of issuance account) of available debt service funds were used to purchase U.S. Treasury Securities – State and Local Government Series. These securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on refunded bonds identified above until called on May 1, 2006.

The refunded bonds are considered legally defeased where the debt is legally satisfied based on certain provisions in the debt instrument even though the debt is still outstanding. Accordingly, the liability for the refunded bonds has been removed from the accompanying statements of net assets.

Although the refunding resulted in the recognition of a deferred accounting loss of $12.5 million for the year ended June 30, 2006, the Airport in effect reduced its aggregate debt service payments by approximately $101.2 million (based on an interest swap rate of 3.39% for the hedged portion, and an assumed interest rate of 3.62% for the unhedged portion of the Issue 33 Bonds) over the next 21 years and obtained an economic gain (the difference between the present values of the old and new debt service payments), of $79.2 million.

During fiscal year 2004-2005, the Airport issued Second Series Revenue Refunding Bonds Issue 31F and Series Issue 32 for $109.1 million and $197.7 million respectively, to refund previously issued debt. The Series Issue 31F Bonds were issued as fixed rate bonds. The Series Issue 32 Bonds were initially issued and remain in auction mode, subject to conversion by the Airport to another interest rate mode.

Each series of Issue 32 Bonds may bear a different interest rate and is subject to different auction periods. As of June 30, 2006, series 32B, 32C and 32D were in a 35-day auction period and Series 32A and 32E were in a 7-day auction period. For the period July 1, 2005 through June 30, 2006, the average interest rate on the Issue 32 Bonds was 2.791%.

SFO entered into seven forward-starting interest rate swap agreements in December 2004 in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 32, on February 10, 2005, and a portion of its Variable Rate Refunding Bonds, Issue 33, on February 15, 2006. Pursuant to these interest rate swaps, SFO receives a monthly variable rate payment from each counterparty equal to 63.5% of the USD-LIBOR-BBA, plus 0.29%, times the notional amount of the swap, which is intended to approximate to the variable interest rates SFO pays on the Issue 32 Bonds and the hedged portion of the Issue 33 Bonds. SFO makes a monthly fixed rate payment to the counterparties as set forth below. The objective of the interest rate swaps is to achieve a synthetic fixed rate with respect to the Issue 32 Bonds and the hedged portion of the Issue 33 Bonds.

For the fiscal year ended June 30, 2006, SFO paid the total of $9.5 million in fixed rate payments to the counterparties and received $8.7 million in floating rate payments in return, resulting in total net swap payments to the counterparties of $0.8 million. During the same period, SFO made variable interest rate payments on the related bonds of $8.5 million, resulting in SFO receiving $0.2 million more from the counterparties than it paid in interest on the related variable rate bonds. The effective synthetic fixed rate on the related bonds was 3.34%.

The four interest rate swaps relating to the Issue 32 Bonds went into effect on February 10, 2005, the date of the issuance of the Issue 32 Bonds, and the first payments commenced on March 1, 2005. The three interest rate swaps relating to the Issue 33 Bonds went into effect on February 15, 2006, the date of issuance of the Issue 33 Bonds and the first payment commenced on March 1, 2006. All of the interest rate swaps are terminable at any time at the option of SFO at their fair market value.

The interest rate swaps relating to the Issue 32 Bonds terminate by their terms on May 1, 2026, the final maturity date for the Issue 32 Bonds. The following is additional information regarding each swap and the counterparties as of June 30, 2006 (in thousands):

Counterparty/guarantor	Initial notional amount	Counterparty credit ratings (S&P/Moody's)	Fixed rate payable by Airport	Fair value to Airport
J.P. Morgan Chase Bank, N.A.	$ 70,000	AA-/Aa2	3.444%	$ 3,425
Bear Sterns Capital Markets, Inc.	30,000	A/A1	3.444%	1,468
J.P. Morgan Chase Bank, N.A.	69,930	AA-/Aa2	3.445%	3,415
Bear Sterns Capital Markets, Inc.	29,970	A/A1	3.445%	1,464
(Aggregate notional amount)	$ 199,900			$ 9,772

The interest rate swaps relating to the Issue 33 Bonds terminate by their terms on May 1, 2019, the final maturity date for the Issue 33 Bonds. The following is additional information regarding each swap and counterparties as of June 30, 2006 (in thousands):

Counterparty/guarantor	Initial notional amount	Counterparty credit ratings (S&P/Moody's)	Fixed rate payable by Airport	Fair value to Airport
Lehman Brothers Special Financial Inc.	$ 73,570	A/A1	3.393%	$ 2,715
Bear Sterns Capital Markets, Inc.	31,530	A/A1	3.393%	1,164
Lehman Brothers Special Financial Inc.	100,000	A/A1	3.379%	3,816
(Aggregate notional amount)	$ 205,100			$ 7,695

Risks Disclosure

The aggregate market fair value to the Airport from time to time, if any, of the interest rate swaps with any single counterparty is the maximum amount of credit exposure the Airport will have to that counterparty. The Airport has limited counterparty credit risk by limiting its exposure to any one counterparty. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities for the fair market value of the swap that exceeds specified thresholds which are linked to the counterparty's credit ratings. Any such collateral will be held by the Airport's custodial bank. There is limited basis risk with respect to the interest rate swaps, as the Airport has chosen a variable rate index designed to closely approximate the variable rates payable on the Issue 32 and 33 Bonds. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty. The Airport has secured municipal swap insurance for its payments, including termination payments, due under each interest rate swap from insurers currently rated AAA/Aaa.

Additional Termination Events under the swap documents in respect of the Airport include an insurer payment default under the applicable swap insurance policy, and certain insurer ratings downgrades or specified insurer non-payment defaults combined with a termination event or event of default on the part of the Airport or a ratings downgrade of the Airport below investment grade.

Additional Termination Events under the swap documents in respect of counterparty include a ratings downgrade below investment grade followed by failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

San Francisco Water Department

During fiscal year 2005-2006, the San Francisco Water Department (Water Department) issued 2006 Water Revenue Bonds, Series A (the 2006 Series A Bonds) in the amount of $507.8 million. The purpose of the bonds is to finance improvements to the City's water system and to retire commercial paper outstanding. The bonds were insured by a municipal bond insurance company and carried Aaa and AAA ratings from Moody's and Standard & Poor's respectively. The 2006 Series A Bonds include current interest and serial and term bonds with interest rates varying from 4% to 5%. The current interest serial bonds mature through November 1, 2027 and the current interest term bonds mature on November 1, 2031, 2033 and 2036.

During fiscal year 2005-2006, the Water Department issued 2006 Water Revenue Refunding Bonds, Series B (the 2006 B Refunding Bonds) in the amount of $110.1 million. The purpose of these bonds is to refund a portion of the 1996A Series A Bonds and the 2001 Series A Bonds. These bonds were insured by a municipal bond insurance company and carried Aaa and AAA ratings from Moody's and Standard & Poor's respectively. The 2006 B Refunding Bonds include serial bonds with interest rates varying from 4% to 5%. The current interest serial bonds mature through November 1, 2026.

San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater) has entered into several contracts (State Revolving Fund Loans) with the State Water Resources Control Board (SWRCB) under which Wastewater borrowed up to prescribed maximum amounts to finance the construction of certain facilities. The amount of loans outstanding as of June 30, 2006 is $118.9 million, with interest rates ranging from 2.8% to 3.5%, and matures from April 2007 through January 2021.

Component Unit Debt – San Francisco Redevelopment Agency

The current year debt activities of the San Francisco Redevelopment Agency are discussed in note 12.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

The City maintains a single-employer, defined benefit pension plan (the Plan) which covers substantially all of its employees, and certain classified and certified employees of the San Francisco Community College District and Unified School District. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees Retirement System (PERS), an agent multiple-employer, public employee pension plan which covers certain employees in public safety functions, the Port, SFO and the Redevelopment Agency.

Employees' Retirement System

Plan Description - Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code is the authority which establishes and amends the benefit provisions and employer obligations of the Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2006 was approximately $2,155 billion. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Membership

Membership of the Retirement System at July 1, 2005 the date of the latest actuarial valuation is:

	Police	Fire	Others	Total
Retirees and beneficiaries currently receiving benefits.....	2,079	1,900	16,114	20,093
Active members:				
Vested.....	1,841	1,371	19,271	22,483
Nonvested.....	252	261	6,168	6,681
Subtotal.....	2,093	1,632	25,439	29,164
Total.....	4,172	3,532	41,553	49,257

As of July 1, 2005 there were 2,833 terminated members entitled to, but not yet receiving benefits.

Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy - Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory. Employee contribution rates for fiscal year 2005-2006 varied from 7% to 8% as a percentage of gross salary. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2005 actuarial report, the required employer contribution for fiscal year 2005-06 was 6.58 percent. In collective bargaining during the year ended June 30, 1994, the City and County agreed to pay a portion of the employee contributions on behalf of employees. From 1994 through June 2003, the City and County portion of these contributions has been negotiated through the various unions on a member group basis, and did not exceed 8% of base salary.

For fiscal year ended June 30, 2006, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis.

Employer contributions and member contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Annual Pension Cost - The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2005. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 8%; (2) inflation element in wage increases of 3.5%; and (3) salary merit increases of 4.5%. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and loss assumptions and purchasable services are amortized as a level percentage of pay over a closed 15 year period. Plan amendments are amortized over 20 years.

Three-year trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	$ -	N/A	$ -
6/30/2005	83,664	100%	-
6/30/2006	126,533	100%	-

California Public Employees' Retirement System

Various City public safety, Port, and all Redevelopment Agency employees are eligible to participate in PERS. Disclosures for the Redevelopment Agency are included in the separately issued financial statements.

Plan Description - The City contributes to PERS, an agent multiple-employer public employee defined benefit pension plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. Effective with the PERS June 30, 2003 actuarial valuation, PERS mandated that the City's miscellaneous members plan be included in a cost-sharing multiple-employer plan consisting of various government entities with plan memberships of less than 199 active members. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. A separate report for the City's plan within PERS is not available.

Miscellaneous Plan

Funding Policy - Miscellaneous plan - Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2005-2006 contribution rate is 0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Miscellaneous plan - cost for PERS for fiscal year 2005-2006 was equal to the City's required and actual contributions which was determined as part of the June 30, 2003 actuarial valuation using the entry age actuarial cost method.

Three-year payment trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	$ -	N/A	$ -
6/30/2005	-	N/A	-
6/30/2006	-	N/A	-

Safety Plan

Funding Policy – Safety plan - Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 20.850% because the City is funded at 96.7%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Safety Plan - cost for PERS for fiscal year 2005-2006 was equal to the City's required and actual contributions which was determined as part of the June 30, 2003 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2003 actuarial valuation were: (a) 7.75% investment rate of return (net of administrative expenses), (b) 3.25% to 13.15% projected annual salary increases that vary by age, service and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period. Actuarial gains and losses are first offset against one another and then 10% of the net unamortized gain/loss is recognized.

Three-year trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	$ 5,606	100%	$ -
6/30/2005	3,689	100%	-
6/30/2006	6,736	100%	-

(b) Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District and Unified School District, amounted to approximately $404.7 million in fiscal year 2005-2006. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is $115.3 million to provide post-employment health care benefits for 20,798 retired employees. The City's liability for both current employee and post-employment health care benefits is limited to its annual contribution. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements and required supplementary information for the health care benefits. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 200, San Francisco, CA 94103 or by calling (800) 541-2266.

(10) San Francisco County Transportation Authority

The San Francisco County Transportation Authority (the Authority) was established in 1989 by the voters of the City and County of San Francisco pursuant to State Code Section 131,000. The purpose of the Authority is to impose the voter-approved transactions and use tax of one-half of one percent to fund essential traffic and transportation projects, as set forth in the San Francisco County Transportation Expenditure Plan, for a period not to exceed 20 years. The principal focus of the Authority's Expenditure Plan is to define a program of prioritized projects to ensure that funding is allocated across major transportation categories. The City accounts for these activities in the other governmental funds.

In June 1992, the Authority was designated by the Board of Supervisors as the overall program manager for the Local Guarantee share of transportation funds available through the "Transportation Fund for Clean Air" Program (AB 434) which is administered by the Bay Area Air Quality Management District. The source of funds is a $4.00 surcharge on the vehicle registration fee.

The Authority serves as the Congestion Management Agency under state laws, and in that capability prioritizes state and federal transportation funds for San Francisco. The funding is administered by the Metropolitan Transportation Commission in accordance with the Federal Surface Transportation Program for congestion management activities.

During fiscal years 1989-1999, $6 million in Intermodal Surface Transportation Efficiency Act (ISTEA) Section 204 funds were granted to the California Department of Transportation (Caltrans) for environmental impact research and study and the preliminary design for the Doyle Drive Replacement Project. The ISTEA grant was awarded to the Authority, which also manages the Doyle Drive Intermodal Study, which is funded by Caltrans. In April 1998, the Authority and Caltrans signed a Memorandum of Understanding designating the Authority as the lead agency for the environmental study. The Doyle Drive Environmental Impact Statement/Report (DEIS/R) was completed and circulated for public comment in December 2005, and on September 26, 2006, through Resolution 07-17, the Authority selected Alternative 5 (Presidio Parkway) with specified design options, as the Preferred Alternative to be identified within the Final Environmental Impact Statement/Report for the Doyle Drive Replacement Project. On September 1, 2006, Caltrans gave the Authority an authorization to proceed with preliminary engineering for the Doyle Drive Replacement Project, allocating $4.8 million in Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) funding.

In November 2003, the City voters approved Proposition K amending the City Business and Tax Code to extend the sunset date to 2034 from 2010, continue the existing half-cent sales tax, and replace the 1989 Proposition B Expenditure Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: Transit, Streets and Roads (including street resurfacing, and bicycle and pedestrian improvements); Paratransit services for seniors and disabled people; Transportation System Management/Strategic Initiatives, to fund neighborhood parking management, land use coordination, and beautification efforts; and Major Capital Projects. The major capital projects to be funded by the new Expenditure Plan are development of the Bus Rapid Transit/MUNI Metro Network, construction of the MUNI Central Subway (Third Street Light Rail Project – Phase 2), construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal and replacement of the South Access to the Golden Gate Bridge (Doyle Drive). The Authority may modify the Expenditure Plan with voter approval, and the half-cent sales tax would continue as long as a new or modified plan is in effect. Under the current Proposition K legislation, the Authority directs the use of the sales tax and may spend up to $485.2 million per year and issue up to $1.88 billion in bonds, to be repaid from the half-cent sales tax.

(11) Detailed Information for Enterprise Funds

(a) San Francisco International Airport

San Francisco International Airport (SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five member Commission is responsible for the operation and management of SFO. SFO is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to final data for calendar year 2006 from the Airports Council International (the ACI), SFO is one of the largest airports in the United States both in terms of passengers (14th) and air cargo (13th). SFO is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

The San Francisco Bay Area Rapid Transit District (BART) extension to SFO creates a convenient connection between SFO and the greater San Francisco Bay Area. An intermodal station in the City of Millbrae provides a direct link to Caltrain offering additional transit options and connections to the southern parts of the Bay Area. Access from the BART station throughout SFO is enhanced by the AirTrain system, a shuttle train that connects airport terminals. The AirTrain system provides transit service over a "terminal loop" to serve the terminal complex and over a "north corridor loop" to serve the rental car facility and other locations situated north of the terminal complex.

SFO has developed a revised Capital Plan to better fit the changes in the aviation industry. The revised Capital Plan was approved in March 2005 and included projects related to improvements to the airfield, groundside activities and customer service functions, environmental mitigation, utilities infrastructure upgrades, seismic retrofit of certain facilities, health, safety and security enhancements, and cost savings and revenue generating enhancements.

In May 2006, SFO obtained a direct-pay letter of credit with a maximum stated principal amount of $200 million. The subordinate Lien Resolution authorizes a maximum principal amount of notes of $400 million. There were no commercial borrowings during the year ended June 30, 2006.

In addition to the long-term obligations discussed above, there is $112 million and $115 million in Special Facilities Lease Revenue Bonds outstanding at June 30, 2006 and June 30, 2005, respectively, for SFO Fuel. SFO Fuel is required to pay facilities rent to SFO in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to SFO. SFO assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither SFO nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements.

In July 2001, the Federal Aviation Administration (FAA) approved SFO's first Passenger Facility Charge application (PFC#1) to impose and use a $4.50 Passenger Facility Charge (PFC) per enplaning passenger from October 1, 2001 through June 1, 2003, to pay for approximately $113 million in PFC eligible project development activities and studies associated with the potential runway reconfiguration. In March 2002, the FAA approved SFO's PFC Application Number 2 (PFC#2) to impose and use a $4.50 PFC per enplaning passenger from June 1, 2003 through April 1, 2008, to pay for approximately $224 million in the principal and interest on bonds issued for certain eligible costs relating to the new International Terminal Complex. In October 2005, the FAA approved an amendment to PFC #2 charge expiration date to October 6, 2005 due to full collection of the authorized amount. In September 2006, the FAA notified the Airport that the charge expiration date of PFC #2 will be recorded as of November 1, 2005.

In November 2003, the FAA approved SFO's third PFC application (PFC#3) to impose and use a $4.50 PFC per enplaning passenger for approximately $539 million to pay for debt service costs related to the construction of the new international terminal and boarding areas A and G. The collection period for PFC #3, as originally approved, was from November 1, 2008 to November 1, 2018. In January 2004, the

collection period was revised to commence January 1, 2006 with a charge expiration date of January 1, 2016. In October 2005, the collection period for PFC #3 was revised to commence October 6, 2005. Subsequently in July 2006, the FAA approved an amendment to PFC #3 increasing the authorized amount by $70 million. In September 2006, the FAA notified the Airport that the revised date for the start of collections for PFC #3 is recorded as of November 1, 2005 with a revised estimated charge expiration date of January 1, 2017.

For the year ended June 30, 2006, SFO reported approximately $62.1 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements. SFO designated $67.7 million of PFC revenues as "Revenues" under the 1991 Master Bond Resolution for the purpose of paying debt service in fiscal year 2005-2006.

Due to SFO's noise mitigation efforts, significant progress has been made in reducing the impact of aircraft noise on the communities surrounding the Airport through the implementation of (1) noise abatement flight procedures, (2) an aircraft noise insulation program, (3) community outreach through the Airport Community Roundtable, and (4) requests that certain surrounding communities adopt ordinances to protect new purchasers of homes within their community.

Pursuant to an agreement with certain airlines, SFO makes an annual payment to the City's General Fund equal to 15% of concession revenue, but not less than $5 million per fiscal year. The amount transferred to the General Fund during the year ended June 30, 2006 was $21.5 million.

Purchase commitments for construction, material and services as of June 30, 2006 are as follows (in thousands):

Construction	$ 40,690
Operating	16,700
Total	$ 57,390

SFO has a Memorandum of Understanding with various surrounding communities to insulate residential and nonresidential structures such as schools, churches and hospitals. The total estimated funding for this program is approximately $154 million funded by bond proceeds, by federal grant reimbursements to the local communities, and by operating and other internally generated funds. As of June 30, 2006, approximately $124.3 million has been disbursed under this program.

SFO leases facilities to the airlines pursuant to the Lease and Use Agreements and to other businesses to operate concessions at SFO. During the year ended June 30, 2006, revenues realized from the following SFO tenants exceeded five percent of SFO's total operating revenues:

United Airlines	20.4%
AMPCO Parking Systems	8.8%
American Airlines	4.1%

(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was owned and operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port is presently planning various development projects that involve a commitment to expend significant funds. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30 million over a 20-year period for pier removal, parks and plazas and other public access improvements. As of June 30, 2006, $16.7 million has been appropriated and $1.6 million has been expended for projects under the agreement. The $16.7 million appropriated includes $9 million received from the sale of a portion of a seawall lot to a developer. In accordance with a development agreement and the entitlement legislation, these land sale proceeds are restricted for the design and construction of a public plaza identified in the BCDC agreement. Other proceeds from the land sale, together with certain residual receipts from the sale of residential condominium units built on the land sold, are designated for the construction of a mixed use cruise terminal project.

As of June 30, 2006, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $6.3 million for capital projects and $2 million for general operations.

In 1996, the Department of Parking and Traffic (DPT) entered into an Annual Payment Agreement with the Port to resolve a dispute concerning the City's collection of parking fine revenues from Port property. Among other things, DPT agreed to pay the Port a guaranteed annual payment of $1.2 million for 20 years, commencing on July 1, 1997, for parking fine revenues collected from Port property. Thereafter, amounts remitted to the Port are to be based on actual ticket collections, net of administrative costs. Under the agreement, payments to the Port should adjust periodically as parking fines increase. The Port and DPT are discussing terms for the payment of certain incremental revenues derived from fine increases and expect resolution in fiscal year 2007.

(c) San Francisco Water Department

The San Francisco Water Department (Water Department) was established in 1930. The Water Department, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. The Water Department delivers water, approximately 88,686 million gallons annually, to a total population of approximately 2.4 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (the Commission), established in 1932, provides the operational oversight for the Water Department, Hetch Hetchy Water and Power (Hetch Hetchy), and the San Francisco Wastewater Enterprise. The Commission consists of five members appointed by the Mayor who are responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

The Water Department purchases water from Hetch Hetchy. This amount, totaling approximately $19 million, is included in the charges for services provided by other departments in the accompanying financial statements.

During fiscal year 2005-2006, water sales to suburban resale customers were $103 million. As of June 30, 2006, the suburban resale customers owed the Water Department approximately $10 million under the Water Rate Agreement.

As of June 30, 2006, the Water Department had outstanding commitments with third parties of $84.6 million for various capital projects and for materials and supplies.

In July 1999, the California Regional Water Quality Control Board (CRWQCB) issued a directive instructing the Water Department to develop a remedial action plan (Plan) that addresses environmental contamination at certain real property owned by the Water Department. In response to the directive, the Commission developed a remedial action plan and in August 2001 received the final directive from the CRWQCB to execute the plan. The cost of cleanup associated with the Plan was estimated to be $22.7 million and was accrued in fiscal year 2000-2001. At June 30, 2006, the outstanding estimated liability is $8 million.

(d) Hetch Hetchy Water and Power

Hetch Hetchy Water and Power (Hetch Hetchy) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park to the City. Hetch Hetchy is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity from that resource. Approximately one-third of the electricity is used by the City's municipal customers (e.g., the San Francisco Municipal Railway, the Recreation and Parks Department, San Francisco International Airport, the Port of San Francisco, San Francisco County hospitals, street lighting, Moscone Center, and the water and sewer utilities). The balance of the power generated is sold to other publicly owned utilities, such as the Modesto and Turlock Irrigation Districts (the Districts).

Hetch Hetchy consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines. This system carries water and power more than 165 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by state and federal power matters before the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at both CPUC and FERC forums and continues to monitor regulatory proceedings.

Charges for services for the year ended June 30, 2006 include $58.3 million in sales of power by Hetch Hetchy to other City Departments. Income from Hetch Hetchy is available for certain operations of the City.

As of June 30, 2006, Hetch Hetchy had outstanding commitments with third parties of $17 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy facilitates all electric and gas service connections between Pacific Gas and Electric Company (PG&E) and City Departments. In this capacity, Hetch Hetchy, as a pass-through agent on behalf of the City departments, coordinates the payment for the service connections that are performed by PG&E. As of June 30, 2006, there were no outstanding amounts from City departments related to this work.

Hetch Hetchy receives title to the underlying assets of certain completed projects on behalf of the City and assumes responsibility for their maintenance, repair and replacement following their initial year of operation.

The Commission has contracted with PG&E to provide transmission capacity on PG&E's system where needed to deliver Hetch Hetchy's power to its customers. In addition, the PG&E agreement provides backup power and other support services to Hetch Hetchy. The PG&E agreement allows PG&E to review past billings paid by Hetch Hetchy and to retroactively adjust these payments to actual backup power, transmission, and other charges as finally determined by PG&E. During fiscal year 2005-2006, Hetch Hetchy purchased $17.7 million of transmission services, backup power, and other support services from PG&E under the terms of the agreement.

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Districts in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments of $3.5 million from the City. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

In April 1988, Hetch Hetchy entered into a long-term power sales agreement (the Agreement) with the Districts. The Agreement expires in 2015 and requires that Hetch Hetchy provide, as generated, an amount equivalent to the difference between 260 megawatts and the amount required to meet the City's demand. In June 2003, Hetch Hetchy amended the terms of the Agreement with the Modesto Irrigation District (MID). Under the terms of the amended and restated long-term power sales agreement, which became effective on January 1, 2003, the expiration date was shortened to 2007, the existing pricing structure was modified, and Hetch Hetchy's firm obligation to provide power to the MID was relaxed. For fiscal year 2005-2006, power sales to the Districts totaled 1,002,916 MWhrs or $25.6 million.

In December 2002, the City entered into an agreement (the Power Purchase Agreement) with the California Department of Water Resources in anticipation of the settlement and implementation agreements. Under the terms of the Power Purchase Agreement, the California Department of Water Resources has agreed to purchase power and rated capacity from the City at rates that will essentially provide for the full recovery of the City's costs incurred in the construction of a power generating facility (The Facility) over a ten year period from the date in which the California Department of Water Resources accepts the City's certification that the Facility meets all requirements of commercial operation as set forth in the Power Purchase Agreement (Commercial Operation Date).

The City may terminate the Power Purchase Agreement at any time from and after the fifth anniversary of the Commercial Operation Date upon providing a one-year notice to the California Department of Water Resources, and the California Department of Water Resources may terminate the Power Purchase Agreement at such time that there is no longer a debt service component within the capacity payment.

On January 21, 2003, the City's Board of Supervisors authorized the settlement of a lawsuit filed in January 2001 by the City, on behalf of the people of the State of California (the State), against certain energy companies. Under the terms of the settlement, the City received or is to receive (i) four gas turbine generator sets valued at approximately $33 million for use within the City, (ii) future funding from a State administered fund (the Fund) to assist with the costs of sitting and developing electric generating equipment in the City, and (iii) payment to the City of $0.5 million for attorney's fees and other expenses of litigation.

Effective January 23, 2003, the City entered into an implementation agreement with the Attorney General of the State of California (the Attorney General), the California Consumer Power and Conservation Financing Authority (the Financing Authority), and the California Department of Water Resources, outlining the terms of execution of the settlement agreement.

In conjunction with the execution of the settlement agreement, the Attorney General has received the first $7.6 million from the defendants, and deposited that amount into the Fund. The City has eligible costs incurred in the development of the facility of about $7.6 million. As of June 30, 2006, the City has requested and received a total of $6.3 million for reimbursement from the Fund. Under the terms of the Agreement, the City only has claim to the proceeds held by the Fund to the extent that eligible costs are incurred in the development of the Facility. As such, the corresponding revenue will be recognized as eligible costs. Hetch Hetchy has recognized $4.1 million of revenue from the Fund as of June 30, 2006.

(e) Municipal Transportation Agency

The Municipal Transportation Agency (MTA) is responsible for overseeing the City's public transportation operations, including those of the San Francisco Municipal Railway (MUNI), the San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the Department of Parking and Traffic (DPT), which includes the Parking Authority and its five parking garages operated by separate nonprofit corporations organized by the City. Created in November 1999, with the passage of Proposition E, by the voters, the MTA replaced the San Francisco Public Transportation Commission as the oversight agency for the operations of MUNI and SFMRIC, and effective July 1, 2002, the MTA also assumed responsibility for overseeing the operations of DPT.

The tables below reflect the financial information of MUNI, DPT, and the parking garages that are reported within the MTA (in thousands), net of $1 million interagency accounts payables and receivables.

	MUNI	DPT	Parking Garages	Total
Assets				
Current assets	$ 192,405	$ 29,317	$ 3,214	$ 224,936
Noncurrent assets	1,815,367	37,001	99,129	1,951,497
Total assets	2,007,772	66,318	102,343	2,176,433
Liabilities				
Current liabilities	95,819	16,688	23,390	135,897
Liabilities payable from restricted assets	896	-	-	896
Noncurrent liabilities	149,761	54,713	33,464	237,938
Total liabilities	246,476	71,401	56,854	374,731
Net assets				
Invested in capital assets, net of related debt	1,782,880	(8,257)	(49)	1,774,574
Restricted net assets	31,590	3,456	36,882	71,928
Unrestricted net assets (deficit)	(53,174)	(282)	8,656	(44,800)
Total net assets (deficit)	$ 1,761,296	$ (5,083)	$ 45,489	$ 1,801,702

	MUNI	DPT	Parking Garages	Total
Operating revenues	$ 141,135	$ 29,900	$ 39,657	$ 210,692
Operating expenses	581,100	74,915	35,085	691,100
Net operating income (loss)	(439,965)	(45,015)	4,572	(480,408)
Nonoperating income (loss)	249,815	26,544	(1,221)	275,138
Capital contributions	58,399	-	-	58,399
Transfers in	172,537	38,585	-	211,122
Transfers out	-	(11,272)	-	(11,272)
Change in net assets	40,786	8,842	3,351	52,979
Net assets (deficit) at beginning of year	1,720,510	(13,925)	42,138	1,748,723
Net assets (deficit) at end of year	$ 1,761,296	$ (5,083)	$ 45,489	$ 1,801,702

The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MUNI and DPT determined by the City's budgetary accounting procedures, subject to the appropriation process. The amount of General Fund subsidy to the MTA was $161 million ($118 million for MUNI and $38.6 million for DPT).

Municipal Railway

MUNI receives capital grants from various federal, state, and local agencies to finance transit related property and equipment purchases. As of June 30, 2006, MUNI had approved capital grants with unused balances amounting to $312 million. Capital grants receivable as of June 30, 2006 totaled $40 million.

MUNI also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds and sales tax allocations. As of June 30, 2006, MUNI had various operating grants receivable of $37 million.

These capital grants and operating assistance include funds from the San Francisco Transportation Authority (SFCTA). During the year ended June 30, 2006, the SFCTA approved $48 million in new capital grants and $15 million in new operating grants for MUNI. During the same period, MUNI received total payments of $46 million for capital grants and $10 million in operating grants from the Authority. As of June 30, 2006, MUNI had $17 million due from the SFCTA for capital grants and $8 million due from the SFCTA for operating grants reported in due from other funds.

The State Public Utilities Code requires that fare revenues must equal or exceed 33% of operating costs in order to qualify for an allocation of certain sales tax revenues available for public transit. Transit operators may add local support to fare revenues in order to calculate the fare recovery ratio. The City provides significant local support to MUNI from parking revenues and the General Fund.

MUNI has outstanding contract commitments of approximately $150 million with third parties for various capital projects. Grant funding is available for a majority of this amount. MUNI also has outstanding commitments of approximately $9 million for non-capital expenditures. Various local funding sources are used to finance these expenditures. MUNI is committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding. The San Francisco Municipal Railway Improvement Corporation's (SMFRIC) Board of Directors has authorized SMFRIC to extend financial guarantees to MUNI for certain projects totaling $2.6 million.

Given that the proposed Metro East light Rail Vehicle Maintenance and Operating Facility (Metro East) is an integral part of the Third Street Light Rail Project and is vital for relieving overcrowded conditions at MUNI's existing light rail facility, MUNI identified a 17-acre site of the Western Pacific Railroad under the jurisdiction of the Port of San Francisco (Port) as the best location for the Metro East Facility.

In March 2001, MUNI and the Port entered into a Memorandum of Understanding (MOU) under which MUNI may use the Metro East site in perpetuity for rail vehicle maintenance, operations and other operational needs at a cost of $25.7 million. The MOU also required MUNI to pay the Port an additional $4 million to construct the Illinois Street Bridge over Islais Creek. Construction of this bridge will mitigate traffic in the area and improve coordination with MUNI's Metro East and Third Street Light Rail Project. In the event the Port fails to expend the money toward construction of the bridge within three years after the effective date of the MOU, the Port shall return the $4 million to MUNI. Any such return of funds shall have no effect on the rights granted to MUNI as specified in the MOU. The Port started construction of the Illinois Street Bridge in May 2005 with substantial completion scheduled by the end of July 2006. The entire $4 million fund has been expended as of the previous year.

Leveraged Lease-Leaseback with BREDA Vehicles

Tranche 1

The Municipal Transportation Agency board of directors authorized the Director of Transportation to solicit proposals regarding a leveraged lease-leaseback transaction involving up to 150 BREDA light rail vehicles. The transaction would not involve financing or procurement of any new vehicles. Rather, MUNI's intention was to obtain an upfront economic benefit in return for entering into a lease-leaseback transaction involving the Breda light rail vehicles, without impairing the day-to-day operations of the transit system.

In April 2002, MUNI entered into the leveraged lease-leaseback transaction over 118 Breda light rail vehicles (the Tranche 1 Equipment). The transaction was structured as a head lease of the Tranche 1 Equipment to separate special purpose trusts and a sublease of the Tranche 1 Equipment back from such trusts. The sublease provides MUNI with an option to purchase the Tranche 1 Equipment in approximately 27 years, the scheduled completion date of the sublease. During the term of the sublease, MUNI maintains custody of the Tranche 1 Equipment and is obligated to insure and maintain the Tranche 1 Equipment throughout the life of the sublease.

MUNI received an aggregate of $388.2 million from the equity investors in full prepayment of the head lease. MUNI deposited $352.7 million of this head lease payment into two escrows. One escrow was deposited with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance, an "Aaa/AAA" rated bond insurance company. The other escrow was invested in U.S. government bonds with maturity dates that match the completion of the sublease. Payments under these escrows are to be made at such times and in such amounts so as to fund MUNI's scheduled payments under the sublease as well as to provide a source of funding for MUNI's purchase option if it chooses to exercise it. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the creditworthiness of these escrows is such that they will fund MUNI's obligations under the sublease and that the possibility that MUNI will need to access other monies to make sublease payments is remote. Therefore, the trust assets and the sublease obligations are not recorded on the financial statements of MUNI as of June 30, 2006.

As a result of the cash transactions above, MUNI recorded deferred revenue in fiscal year 2001-2002 of $35.5 million for the difference between the amount received of $388.2 million and the amount paid to the escrows of $352.7 million. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were $1.3 million for fiscal year 2005-2006.

As of June 30, 2006, the outstanding payments to be made on the sublease through 2027 are $284.2 million and the payments to be made on the purchase option of the Tranche 1 Equipment would be $643.1 million, if exercised. All of these payments are to be funded from the amounts in escrow. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

Tranche 2

In September 2003, after obtaining final approval from the Municipal Transportation Agency's Board of Directors and the City's Board of Supervisors, MUNI entered into a second leveraged lease-leaseback transaction over 21 BREDA light rail vehicles (the Equipment). The transaction was structured as a head lease of the Equipment to one separate special purpose trust (formed on behalf of a certain equity investor) and a sublease of the Equipment back from such trust. The sublease provides MUNI with an option to purchase the Equipment in approximately 26 years, the scheduled completion date of the sublease. During the term of the sublease, MUNI maintains custody of the Equipment and is obligated to insure and maintain the Equipment throughout the life of the sublease.

MUNI received an aggregate of $72.6 million from the equity investors in full prepayment of the head lease. MUNI deposited approximately $67.5 million of this head lease payment into two escrows. One escrow was deposited with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance, an "Aaa/AAA" rated bond insurance company. The other escrow was invested in U.S. government bonds with maturity dates that match the completion of the sublease. Payments under these escrows are to be made at such times and in such amounts so as to fund MUNI's scheduled payments under the sublease as well as to provide a source of funding for MUNI's purchase option if it chooses to exercise it. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the creditworthiness of these escrows is such

that they will fund MUNI's obligations under the sublease and that the possibility that MUNI will need to access other monies to make sublease payments is remote.

The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized in fiscal year 2005-2006 amounted to $168 thousand.

As of June 30, 2006, the outstanding payments to be made on the sublease through 2029 are $57.6 million and the payments to be made on the purchase option of the Equipment would be $198.5 million, if exercised. All of these payments are to be funded from the amounts in escrow. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

The data below reflect the operations of the five parking garages operated by separate nonprofit corporations organized by the City, which are under the Parking Authority. Information about these nonprofit corporations for the year ended June 30, 2006 follows (in thousands), including $1 million accounts payable to MUNI:

	Downtown Parking	Uptown Parking	Japan Center Garage	Ellis - O'Farrell Parking	Portsmouth Plaza Parking	Total
Operating revenues	$ 12,311	$ 16,384	$ 2,646	$ 5,079	$ 3,237	$ 39,657
Depreciation	756	1,083	1,072	364	130	3,405
Net Operating income	757	1,111	(775)	3,403	76	4,572
Interest and other nonoperating revenues (expenses)	(249)	(882)	-	(119)	29	(1,221)
Change in net assets	508	229	(775)	3,284	105	3,351
Capital assets, additions	-	-	-	-	-	-
Capital assets, deletions	(50)	(1,006)	(1,055)	2,469	(58)	300
Net working capital (deficit)	(8,101)	(11,146)	189	(2,072)	955	(20,175)
Total assets	29,696	50,841	2,946	15,492	3,368	102,343
Total liabilities	19,169	29,926	492	6,753	514	56,854
Net assets	10,527	20,915	2,454	8,739	2,854	45,489
Total debt outstanding	$ 10,968	$ 18,774	$ 203	$ 4,966	$ -	$ 34,911

(f) Laguna Honda Hospital

General Fund Subsidy

The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the fiscal year ended June 30, 2006, the subsidy for LHH was approximately $40 million.

Third Party Payor Agreements

LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. During the fiscal year ended June 30, 2006, Medicare and Medi-Cal charges for services amounted to approximately $6 million and $112 million, respectively. As of June 30, 2006, LHH had net patient receivables from Medicare of $22 million and net patient receivables from Medi-Cal of $20 million.

During fiscal year ended June 30, 2006, LHH received approximately $13 million in payments as a result of matching federal funds to local funds, which provided a Medi-Cal supplemental in the form of quarterly payments effective August 1, 2001.

Replacement Project

The California Hospital Facilities Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that LHH could maintain uninterrupted operations following major earthquakes. By January 1, 2008, all general acute care buildings must be life safe. By January 1, 2030, all general acute care inpatient buildings must be operational after an earthquake. In December 2001, LHH finalized and submitted a plan to the State of California indicating that the Laguna Honda Hospital Replacement Project will be fully operational by 2013 and thereby in full compliance with the 2030 requirements. A five-year extension for the January 2008 deadline was requested and granted, postponing the deadline to 2013.

In November 1999, San Francisco voters approved Proposition A, a ballot measure authorizing the City to issue general obligation bonds to finance the acquisition, improvement, construction and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital (the Replacement Project). Proposition A requires an increase in property taxes to pay for the bonds. In addition, Proposition A stipulates that $100 million of tobacco settlement funds received by the City, excluding $1 million set aside each year for smoking education and prevention programs, may be used to pay for some construction of the Replacement Project, as well as to offset the cost to property owners of repaying the bonds. As of June 30, 2006, General Obligation Bonds in the amount of $299 million have been sold to fund the Replacement Project.

As of June 30, 2006, LHH has entered into various purchase contracts totaling approximately $8.6 million that are related to future construction for the Replacement Project.

Environmental Remediation

LHH received a report initiated by the California Integrated Waste Management Board declaring an old dumpsite on hospital property a "hazardous waste site" under California hazardous waste statute. The San Francisco Department of Public Health, as the local enforcement agency, has been designated to oversee and certify the future abatement of the dumpsite. LHH management has subsequently received a number of estimates to remedy this situation, ranging from approximately $0.8 million to $2.5 million. LHH and the San Francisco Department of Public Health are evaluating the bids submitted. The State has mentioned that this particular hazardous waste site is classified as a low priority considering the other more hazardous waste sites within the State. The specific site has been contained and secured for the safety of the general public.

(g) San Francisco General Hospital Medical Center

General Fund Subsidy

San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2006, the subsidy for SFGH was $91 million.

Third Party Payor Agreements

SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-cal Hospital/Uninsured Care Demonstration Project and Short-Doyle mental health programs.

During the year ended June 30, 2006, Medicare and Medi-Cal revenues accounted for $68 million and $84 million of net patient service revenue, respectively. As of June 30, 2006, SFGH had net patient receivables from Medicare of $8.7 million and net patient receivables from Medi-Cal of $19 million.

California's Medi-cal Hospital/Uninsured Care Demonstration Project (Demonstration) is a new system for paying selected hospitals for hospital care provided to Medi-cal and uninsured patients and replaces funding previously provided through California State Senate Bills 855 and 1255. The Demonstration was negotiated between the State of California's Department of Health Services and the Federal Centers for Medicare and Medicaid Services last year, and covers the period from July 1, 2005 to June 30, 2010. Under the Demonstration, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursement for inpatient hospital services; 2) Disproportionate Share Hospital payments; and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool. The nonfederal share of these three payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Demonstration approximated $96.5 million for the fiscal year ended June 30, 2006.

In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2006, reimbursement under the Short-Doyle Program amounted to approximately $5.8 million and is included in other operating revenue.

Charity Care

SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $216 million and estimated costs and expenses to provide charity care were $107 million in fiscal year 2005-2006.

Other Non-Operating Revenues

The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. SFGH recognized $58.7 million as other operating revenue for the year ended June 30, 2006, for realignment funding.

State of California Proposition 99, the Tobacco Tax Initiative, allocates funds to counties for health care services to indigent persons and others who are unable to pay for health care services. Proposition 99 funds allocated to SFGH for the year ended June 30, 2006, amounted to $1.8 million and is included in other operating revenue.

Contract with the University of California San Francisco

The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2006, was approximately $84.2 million.

SFGH Rebuild

In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients in 2013 and beyond.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Portrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. More detailed design, engineering and geotechnical surveys are ongoing.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater) was established in 1977 pursuant to bond resolutions to account for the City's municipal sewage treatment and disposal system.

Wastewater's revenue, which consists mainly of sewer service charges, is pledged for the payment of principal and interest on various outstanding Sewer Revenue Bonds.

As of June 30, 2006, Wastewater had outstanding commitments with third parties for capital projects and for materials and services totaling $39.1 million.

(i) San Francisco Market Corporation

The San Francisco Market Corporation is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

(12) San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (the Agency) is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and twelve redevelopment areas are now underway. In addition, the Agency has completed a feasibility study on the Mid Market Survey Area and the redevelopment plan has been submitted to the Board of Supervisors for review. A feasibility study has just started on Visitation Valley Survey Area designated by the Board of Supervisors.

The Agency acts as the lead agency for the City in administering the Housing Opportunities for Persons with AIDS (HOPWA) program, which is funded by a grant from the U.S. Department of Housing and Urban Development.

In 1998, the Board of Supervisors approved ordinances and resolutions adopting the Mission Bay North and South Redevelopment Plans, Interagency Cooperation Agreements, Tax Allocation Agreements, and related ordinances and resolutions. The two project areas total 303 acres. In June 2005, the Board of Supervisors approved ordinance to adopt the Transbay project area as a new redevelopment area which consists of 40 acres and is located south of the San Francisco financial district. The project area is bounded by Mission Street in the north, Main Street in the east, Folsom Street in the south and Second Street in the west. The future development of a new transit terminal and a concept plan which includes high-density, transit-oriented residential development are the highlights of this project.

The Agency has no direct taxing power and does not have the power to pledge the general credit or taxing power of the City, the State of California or any political subdivision thereof. However, California's Health and Safety Code allows redevelopment agencies with appropriate approvals of the local legislative bodies to recover costs of financing public improvements from increased tax revenues (tax increment) associated with increased property values of individual project areas. During the year, the Agency's revenue from property tax increment was $65.8 million.

The Public Initiatives Development Corporation (PIDC) was formed in May 2002 to develop affordable housing on the Agency's behalf. On November 12, 2004, PIDC and Wincopin Circle, LLLP formed a limited partnership, Plaza Apartments Associates, L.P. (the partnership). PIDC is the managing general partner and owns a 0.01% interest in the partnership. Wincopin Circle, LLLP is a limited partner and owns a 99.99% interest. Wincopin Circle, LLLP transferred its interest in the Partnership to the Housing Outreach Fund XL Limited Partnership, effective December 24, 2004. The Partnership completed construction of a 106-unit affordable housing project in the South of Market project area in January 2006. As of June 30, 2006, 100% of the units were leased. The Agency reports the investment in the Partnership under the equity method, based on the value of the assets and liabilities transferred to the Partnership.

In July 2005, the Authority issued $20.4 million in Tax Allocation Refunding Revenue Bonds Series 2005 A (2005 Series A Refunding Bonds); $8.1 million in Taxable Tax Allocation Refunding Revenue Bonds 2005 Series B (2005 Series B Refunding Bonds); and $43.9 in Taxable Tax Allocation Revenue Bonds Series 2005 C (2005 Series C Bonds). These bonds are secured by a pledge of the Agency's share of certain property tax revenue derived from related project areas.

The net proceeds of the 2005 Series A Refunding Bonds were used to refund all the outstanding bonds of the Tax Allocation Revenue Bonds Series 1998 A Bonds (1998 Series A Bonds), in the amount of $16.7

million; and a portion of the Tax Allocation Revenue Bonds Series 1998 C Bonds (1998 Series C Bonds), in the amount of $3.4 million.

The net proceeds of $20.8 million (including original issue discount of $15.7 thousand, and after depositing $1.7 million in a reserve fund and $26 thousand in an interest fund; and payment of $0.4 million in underwriting fees, and issuance costs) from the 2005 Series A Refunding Bonds, together with certain other moneys of the Agency were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds identified above until called and redeemed. As a result, the refunded bonds described above are considered defeased and the liability for the refunded bonds has been removed from the accompanying statement of net assets. Defeased 1998 Series A Bonds in the amount of $4.1 million remain outstanding as of June 30, 2006.

Although the advance refunding resulted in the recognition of a deferred accounting loss of $0.8 million, the Agency in effect reduced its aggregate debt service payments by approximately $2.7 million over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $1.3 million. The 2005 Series A Refunding Bonds mature through August 1, 2025 with interest rates ranging from 3.25% to 4.2%.

The net proceeds of the 2005 Series B Refunding Bonds were used to refund all the outstanding bonds of the Tax Allocation Revenue Bonds Series 1998 B Bonds (1998 Series B Bonds), in the amount of $3.8 million and the Taxable Tax Allocation Revenue Bonds Series 2000 B Bonds (2000 Series B Bonds), in the amount of $5 million.

The net proceeds of $9.3 million (including original issue discount of $52.4 thousand, and after depositing $39.1 thousand in an interest fund and payment of $0.2 million in underwriting fees and issuances costs) from the 2005 Series B Bonds, together with certain other moneys of the Agency were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds identified above until called and redeemed. As a result, the refunded bonds described above are considered defeased and the liability for the refunded bonds has been removed from the accompanying statement of net assets. The defeased 2005 Series B Bonds remain outstanding as of June 30, 2006.

Although the advance refunding resulted in the recognition of a deferred accounting loss of $0.6 million, the Agency in effect reduced its aggregate debt service payment by approximately $0.6 million over the next 10 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $0.8 million. The 2000 Series B Refunding Bonds mature through August 2015 with interest rates ranging from 4% to 4.5%.

The net proceeds of $42.6 million (including original issue discount of $0.4 million, and after depositing $10.6 thousand in an interest fund and payment of $1 million in underwriting fees and issuance costs) from the 2005 Series C Bonds will be used to finance the construction, rehabilitation, and preservation of low-income housing and for general redevelopment purposes. The 2005 Series C Bonds mature through August 2035 with interest rates ranging from 4.1% to 5.2%.

In July 2005, the Authority issued $16.2 million in Tax Allocation Revenue Bonds 2005 Series D (2005 Series D Bonds). These bonds are secured by a pledge of the Agency's share of certain property tax revenue derived from related project areas.

The net proceeds of $15 million (including original issue premium of $0.1 million, and after depositing $1 million in a reserve fund and $8.1 thousand in an interest fund; and payment of $0.3 million in underwriting fees, and issuance costs) from the 2005 Series D Bonds will be used to finance public infrastructure improvements and other redevelopment activities in the Mission Bay North Project Area. These bonds mature through August 2035 with interest rates ranging from 3.85% to 5%.

In order to facilitate construction and rehabilitation in the City, various construction loan notes, promissory notes, community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately $664 million as of June 30, 2006 have been issued by the Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

California Health and Safety Code Section 33334.3 requires the Agency to set aside 20% of the proceeds from its incremental property tax revenues for expenditures for low and moderate income housing. Related interest earned on these funds must also be set aside for such purposes. The Agency established the Low and Moderate Income Housing Fund to account for this commitment and has reserved $371 million for such expenditures since its inception. The Agency has expended $278 million for low- and moderate-income housing since its inception.

The Agency had commitments under contracts for capital improvements of approximately $32.9 million as of June 30, 2006.

(13) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. The TIDA is governed by seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The mission of TIDA is to redevelop the former Naval Station Treasure Island and to manage its integration with the City in compliance with federal, state and City guidelines (including the California Tidelands Trust) to maximize revenues to the City's General Fund; to create new job opportunities for San Francisco residents, including assuring job opportunities for homeless and economically disadvantaged residents; to increase recreational and bay access venues for San Francisco and Bay Area residents; and to promote the welfare and well being of the citizens of San Francisco.

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Redevelopment Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to the TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing 1,000 housing units; and overseeing the U.S. Navy's toxic remediation activities on the former naval base.

During fiscal year 2005-2006, TIDA's primary source of revenues included facility and housing rents. During fiscal year 2002-2003, TIDA received Navy agreement to initiate the process of early transfer, including competitive selection of a contractor to complete the Navy's Treasure Island Remediation Program with Navy funding but under TIDA direction and supervision; entered an exclusive negotiating agreement with a private developer for the redevelopment of the former naval base; and completed a draft Environmental Impact Report (EIR) for the transfer.

(14) Interfund Receivables, Payables, and Transfers

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash. The composition of interfund balances as of June 30, 2006, is as follows (in thousands):

Due to/from other funds (in thousands):

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$ 15,733
	Laguna Honda Hospital	15,126
		30,859
Nonmajor Governmental Funds	Nonmajor Governmental Funds	3,960
		3,960
San Francisco Water Department	Municipal Transportation Agency	145
		145
Hetch Hetchy Water and Power	General Fund	821
	Nonmajor Governmental Funds	12,496
	Municipal Transportation Agency	102
	General Hospital Medical Center	2,294
		15,713
Municipal Transportation Agency	Nonmajor Governmental Funds	29,775
		29,775
Total		$ 80,452

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - governmental	Component Unit - San Francisco Redevelopment Agency	$ 4,806

Transfers In (in thousands):

Transfers Out:	Funds						
Funds	General Fund	Nonmajor Governmental	Internal Service Funds	Municipal Transportation Agency	San Francisco General Hospital Medical Center	Laguna Honda Hospital	Total
General Fund	$ -	$ 124,053	$ 535	$ 161,803	$ 93,803	$ 39,892	$ 420,086
Nonmajor governmental funds	9,919	26,707	101	48,777	-	49,565	135,069
San Francisco International Airport	21,513	-	-	-	-	-	21,513
San Francisco Water Department	-	60	-	542	-	-	602
Municipal Transportation Agency	-	11,272	-	-	-	-	11,272
San Francisco General Hospital Medical Center	30,949	-	-	-	-	1,303	32,252
Laguna Honda Hospital	50	-	-	-	-	-	50
Total transfers out	$ 62,431	$ 162,092	$ 636	$ 211,122	$ 93,803	$ 90,760	$ 620,844

The $420.1 million General Fund transfer out includes a total of $295.5 million in operating subsidies to Municipal Transportation Agency, San Francisco General Hospital Medical Center, and Laguna Honda Hospital (note 11). The transfers of $124.1 million from the General Fund to the nonmajor governmental funds are to provide support to various City programs such as the Public Protection, Public Library, and the Children and Families Fund, as well as to provide resources for the payments of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

The General Fund received transfers in of $30.9 million from San Francisco General Hospital Medical Center for the SB 855 matching program reimbursement (note 11(g)) and $21.5 million from the San Francisco International Airport, representing a portion of concession revenue (note 11 (a)). Of the $48.8 million transferred from nonmajor governmental funds to the Municipal Transportation Agency, $47.7 million is for capital and operating transfers from San Francisco Transportation Authority. The $49.6 million transferred from nonmajor governmental funds to Laguna Honda Hospital is for capital transfers funded by the Laguna Honda Hospital General Obligation Bonds in the City Facilities Improvement Fund.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that no significant liabilities will result.

(b) Operating Leases

The City has noncancellable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years	
2007	$ 26,545
2008	23,200
2009	15,013
2010	13,551
2011	9,521
2012-2016	12,779
2017-2021	1,578
Total	$ 102,187

Operating lease expense incurred for fiscal year 2005-2006 was approximately $27.7 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	San Francisco General Hospital Medical Center (SFGH)	Total Business-type Activities
2007	$ 5,574	$ 3,013	$ 5,310	$ 7,070	$ 20,967
2008	5,639	3,013	5,152	3,496	17,300
2009	4,559	3,013	5,647	2,797	16,016
2010	79	3,013	5,377	2,504	10,973
2011	75	3,013	837	1,182	5,107
2012-2016	-	14,905	4,417	-	19,322
2017-2021	-	14,269	4,867	-	19,136
2022-2026	-	14,269	5,349	-	19,618
2027-2031	-	14,269	5,992	-	20,261
2032-2036	-	14,269	-	-	14,269
2037-2041	-	14,269	-	-	14,269
2042-2046	-	14,269	-	-	14,269
2047-2051	-	8,800	-	-	8,800
Total	$ 15,926	$ 124,384	$ 42,948	$ 17,049	$ 200,307

Operating lease expense incurred for the Airport, Port, MTA, and SFGH for fiscal year 2005-2006 was $4.4 million, $2.6 million, $5.8 million, and $4.5 million, respectively.

Component Unit – San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (The Agency) has noncancellable operating leases for its office sites, which require the following minimum annual payments (in thousands):

Fiscal Years	
2007	$ 1,796
2008	1,797
2009	1,775
2010	1,775
2011	1,775
2012-2016	8,876
2017-2021	5,466
2022-2026	4,119
2027-2031	4,119
2032-2036	4,119
2037-2041	4,119
2042-2046	4,119
2047-2050	3,338
Total	$ 47,193

Rent payments totaling $2.1 million are included in the Agency's financial statements for the year ended June 30, 2006.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years	
2007	$ 1,685
2008	1,490
2009	1,431
2010	1,219
2011	818
2012-2016	2,106
2017-2021	1,061
2022-2026	270
Total	$ 10,080

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital Medical Center	Municipal Transportation Agency	Market Corp	Total Business-type Activities
2007	$ 68,621	$ 27,083	$ 1,991	$ 3,388	$ 869	$ 101,952
2008	65,033	25,088	2,033	3,096	497	95,747
2009	51,823	22,999	2,077	2,961	374	80,234
2010	37,718	20,244	2,123	2,361	405	62,851
2011	19,607	17,601	2,168	1,783	361	41,520
2012-2016	7,900	79,274	2,214	3,460	944	93,792
2017-2021	-	67,271	-	-	-	67,271
2022-2026	-	56,066	-	-	-	56,066
2027-2031	-	49,353	-	-	-	49,353
2032-2036	-	46,363	-	-	-	46,363
2037-2041	-	32,373	-	-	-	32,373
2042-2046	-	22,749	-	-	-	22,749
2047-2051	-	17,158	-	-	-	17,158
2052-2056	-	8,400	-	-	-	8,400
2057-2061	-	7,023	-	-	-	7,023
2062-2066	-	7,023	-	-	-	7,023
2067-2071	-	1,094	-	-	-	1,094
Total	$ 250,702	$ 507,162	$ 12,606	$ 17,049	$ 3,450	$ 790,969

Certain of the Airport's rental agreements with concessionaires specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees were approximately $10.3 million in fiscal year 2005-2006.

Component Unit – San Francisco Redevelopment Agency

The Agency leases various facilities within the Yerba Buena Center, Western Addition and Hunters Point areas. The minimum annual payments are as follows (in thousands):

Fiscal Years	
2007	$ 4,517
2008	4,548
2009	4,582
2010	4,634
2011	4,659
2012-2016	22,073
2017-2021	22,190
2022-2026	21,406
2027-2031	23,018
2032-2036	23,410
2037-2041	20,520
2042-2046	21,818
2047-2051	3,909
2052-2056	475
2057-2061	410
2062-2066	400
2067-2071	272
2072-2076	238
2077-2081	150
2082-2086	150
2087-2091	150
2092-2096	150
2097-2101	38
Total	$ 183,717

(c) Other Lease Commitments

The City is making lease payments to the Agency for the Moscone Convention Center in the amount of approximately $18 million per year through July 1, 2024. The lease payments are intended to approximate the debt service requirements of the corresponding lease revenue bonds that were issued by the Agency to finance the construction and expansion of the Moscone Convention Center which are recorded as a long term obligation of the Agency. Together with financing from the City through appropriation of a portion of the hotel tax and through the issuance of lease revenue bonds by the Finance Corporation, the total cost of approximately $371.4 million was included in the City's asset class of facilities and improvements.

The City is also making lease payments to outside lessors for various telecommunication and information equipment through an internal service fund.

Amounts to be provided for capital leases are as follows (in thousands):

Fiscal Years	Moscone Convention Center	Other	Total
2007	$ 17,874	$ 128	$ 18,002
2008	18,571	63	18,634
2009	18,640	-	18,640
2010	18,717	-	18,717
2011	18,794	-	18,794
2012-2016	94,772	-	94,772
2017-2021	63,638	-	63,638
2022-2025	13,071	-	13,071
Total minimum lease payments	264,077	191	264,268
Less amounts representing interest	(73,981)	(8)	(73,989)
Present value of maximum lease payments	$ 190,096	$ 183	$ 190,279

(d) Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $842 million at June 30, 2006.

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), which was formed in 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The City, on behalf of MUNI, is responsible for 11.6% of the net operating costs and administrative expenses of the PCJPB for operating and capital needs. During the fiscal year ended June 30, 2006, the City contributed approximately $6.6 million to the PCJPB. This is paid by MTA from the subsidy transfer it receives from the City.

(16) Risk Management

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for Municipal Railway); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase

commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The City maintains limited excess coverage for certain facilities. The SFO carries liability insurance coverage of $750 million and commercial property insurance coverage for full replacement value on all facilities owned by the SFO. The SFO does not carry insurance for losses due to seismic activity. The SFO is self-insured for general liability up to the first $10,000 and the SFO carries liability insurance for any amounts in excess of $10,000. The Port carries commercial insurance for all general liability, property and casualty risks of loss. Additionally, limited insurance coverage is maintained by the City for the Moscone Convention Center property, personal liability, and for art at City-owned museums.

The San Francisco Redevelopment Agency is a member of the Bay Cities Joint Powers Authority which provides coverage for its general liability, automobile liability, and public officials errors and omissions risks with combined single limits of $20 million per occurrence and a deductible of $50,000 self-insurance retention per occurrence.

Any claims relating to the construction of the Moscone Convention Center are indemnified by the City under an agreement between the Redevelopment Agency and the City.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2006 has been actuarially determined and includes an estimate of incurred but not reported losses.

Changes in the reported estimated claims payable since June 30, 2004, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2004-2005	$ 127,436	$ 63,684	$ (38,865)	$ 152,255
2005-2006	152,255	38,053	(43,048)	147,260

Breakdown of the estimated claims payable at June 30, 2006 is as follows (in thousands):

Governmental Activities:	
Current portion of estimated claims payables	$ 23,811
Long-term portion of estimated claims payable	45,666
Business-type activities:	
Current portion of estimated claims payables	24,629
Long-term portion of estimated claims payable	53,154
Total	$ 147,260

The Retirement System is involved in two class action type lawsuits which are collectively referred to as "Final Compensation" cases. These lawsuits allege that the Retirement System should include additional "pay types" in pension calculations. The most significant pay types common to all members of the Retirement System are lump sum payments after termination of employment for sick leave and vacation. The police and fire lawsuit has been resolved in favor of the Retirement System during the year ended June 30, 2006. There is also a new lawsuit against the Retirement System by the Veteran Police Officers Association (VPOA) that alleges that the Retirement System should include Police Officers' Standards Training (POST) pay in pension calculations for those police officers who retired prior to the creation of the POST ranks. The Retirement System was successful in defending both of these class action lawsuits in the trial court. The VPOA lawsuit is on appeal. The potential loss to the Retirement System, should there be a successful appeal, is estimated to be less than $100 million as of June 30, 2006.

The Retirement System is involved in two securities fraud cases. The first lawsuit is against Enron Corporation, its officers and its accountants. In the second case, the Retirement System joined a coalition of government pension funds in a securities fraud suit against various investment banks for losses relating to WorldCom bonds. As these cases are in the preliminary stage, it is premature to determine the amount recovery for the Retirement System in these matters.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2006 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2006 was $364.1 million which is reported in the appropriate individual funds in accordance with the City's accounting policies (note 2).

Changes in the reported accrued workers' compensation since June 30, 2004, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2004-2005	$ 397,126	$ 87,372	$ (93,070)	$ 391,428
2005-2006	391,428	44,863	(72,156)	364,135

Breakdown of the accrued workers' compensation liability at June 30, 2006 is as follows (in thousands):

Governmental Activities:	
Current portion of accrued workers' compensation liability.....	$ 41,803
Long-term portion of accrued workers' compensation liability.....	160,678
Business-type activities:	
Current portion of accrued workers' compensation liability.....	35,466
Long-term portion of accrued worker's compensation liability.....	126,188
Total.....	$ 364,135

(17) Subsequent Events

Long-term Debt

In July 2006, the San Francisco Water Department issued 2006 Water Revenue Refunding Series C Bonds in the amount of $48.7 million. The purpose of the bonds is to refund the remaining portion of the 1996 Series A Water Revenue Refunding Bond. The bonds were insured by a municipal bond insurance company and carried Aaa and AAA ratings from Moody's and Standard & Poor's, respectively. The Revenue Bonds include serial bonds with interest rates varying from 4% to 5%. The current interest rate serial bonds mature through November 1, 2026.

In August 2006, the San Francisco Redevelopment Agency issued Taxable Tax Allocation Revenue Bonds Series A (2006 Series A Bonds) and Tax Allocation Revenue Bonds Series B (2006 Series B Bonds) in the amount of $50.7 million and $34.5 million, respectively. The proceeds from the 2006 Series A Bonds will be used to fund the construction of affordable housing, renovate a pier in the Rincon Point-South Beach project area, and provide financial assistance to a museum located in the Yerba Buena Center project area. The proceeds from the 2006 Series B Bonds will be used to fund the construction of streets, sidewalks, sewer/sewage facilities and open space in the Mission Bay North project areas.

The Agency loaned Community Housing Partnership (CHP), a California non-profit public benefit corporation, a construction bridge loan of $4.1 million for the rehabilitation of the Senator housing project. The loan funds were disbursed from November 2004 through February 2006. The loan was considered uncollectible as of June 30, 2006 because the permanent financing was dependent on receiving other sources of funding. On September 18, 2006, the principal amount of $4.1 million was paid when CHP received its permanent financing. The related accrued interest of $0.4 million was added to an existing permanent loan. As of June 30, 2006, the amount outstanding for the permanent loan to CHP is $1.3 million.

In March 2000, the voters of the City adopted Proposition C, amending the Charter by extending the term of the Open Space Fund and authorizing the issuance of revenue bonds for such purpose. A set aside of 2.5% of the City's general 1% property tax is required by the Charter to be deposited in the Open Space Fund. In November 2006, the Corporation issued Lease Revenue Bonds Series 2006 (Open Space Fund-Various Park Projects) in the amount of $27 million (the "Series 2006 Bonds"). The Series 2006 Bonds will finance the design, construction, renovation and the installation of various park improvements located within the City. Interest rates range from 3.75% to 5.5%. The bonds begin to mature in July 2007 through July 2027.

In September 2006, the $5.4 million Fillmore Renaissance Center Project variable rate note with the Housing and Urban Department (HUD) was converted to a fixed rate financing and the amount of the loan was increased to $5.5 million. The new loan carries interest rates ranging from 4.9% to 5.74% and matures from August 2007 through August 2025.

In October 2006, the City issued the General Obligation Refunding Bonds, Series 2006 R-1 (Series 2006-R1 Bonds) in the amount of $90.7 million. The proceeds of the bonds were used to refund all or a portion of certain outstanding general obligations bonds of the City and to pay for certain costs related to the issuance of the bonds. The Series 2006-R1 Bonds were issued with interest rates ranging from 4% to 5% and mature from June 2007 through June 2020. The City in effect reduced its aggregate debt service payment by $7 million and obtained a net present value savings of $5.4 million.

In December 2006, the City issued the General Obligation Refunding Bonds, Series 2006-R2 (Series 2006-R2 Bonds) in the amount of $66.6 million. The proceeds of the bonds were used to refund all or a portion of certain outstanding general obligation bonds of the City and to pay for certain costs related to the issuance of the bonds. The Series 2006-R2 Bonds were issued with interest rates ranging from 3.5% to 4.15% and mature from June 2007 through June 2019. The City in effect reduced its aggregate debt service payment by $9.4 million and obtained a net present value savings of $4.7 million.

Elections

On November 7, 2006, the San Francisco voters approved the following proposition that will have a fiscal impact on the City:

Proposition F – Sick Leave Ordinance This ordinance establishes minimum requirements for employers, as defined by state law, to provide paid sick leave to their employees. This includes full-time, part-time, and temporary employees working in San Francisco. Employees will earn paid sick leave at the rate of 1 hour for every 30 hours worked. New employees will begin to earn sick leave after 3 months on the job. Employees who work in businesses with fewer than 10 employees could accumulate up to 40 hours of paid sick leave. All other employees could accumulate up to 72 hours of paid sick leave.

The increase in the cost of government will be approximately $9.3 million annually for sick leave to groups of City workers who do not earn paid time off and for administration of the ordinance. This estimate does not address the potential impacts of a paid sick leave requirement on employers or the local economy.

Required Supplementary Information

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information - Historical Pension Data (Unaudited)

Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for the Employees' Retirement System (In thousands):

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over-funded AAL (OAAL)	Funded Ratio	Covered Payroll	OAAL as a % of Covered Payroll
7/1/2003	$11,173,636	$10,249,896	$923,740	109.0%	$2,130,071	43.4%
7/1/2004	11,299,997	10,885,455	414,542	103.8%	2,155,252	19.2%
7/1/2005	12,659,698	11,765,737	893,961	107.6%	2,052,862	43.5%

California Public Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for PERS (In thousands):

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over (Under) funded AAL (OAAL)	Funded Ratio	Covered Payroll	OAAL as a % of Covered Payroll
06/30/01:						
Misc.	$ 32,773	$ 22,031	$ 10,742	148.8%	$ 1,087	988.2%
Safety	445,005	358,626	86,379	124.1%	63,581	135.9%
Total	$ 477,778	$ 380,657	$ 97,121	125.5%	$ 64,668	150.2%
06/30/02:						
Misc.	$ 31,897	$ 21,889	$ 10,008	145.7%	$ 1,150	870.3%
Safety	430,019	417,394	12,625	103.0%	71,716	17.6%
Total	$ 461,916	$ 439,283	$ 22,633	105.2%	$ 72,866	31.1%
06/30/03: [1]						
Safety	$ 442,850	$ 458,152	$ (15,302)	96.7%	$ 79,093	-19.3%

NOTES:

[1] There is a new pooled report format for the Miscellaneous First Tier Plan of the City and County of San Francisco for Miscellaneous 2% at 55 Risk Pool. Since this plan had less than 199 active members as of June 30, 2003, PERS changed the plan from an agent multiple employer plan to a cost-sharing multiple-employer plan. As such, funding status is no longer required to be disclosed. Mandated pooling is effective with this valuation which determined the contribution rate for fiscal year 2005-2006.

Combining Financial Statements and Schedules

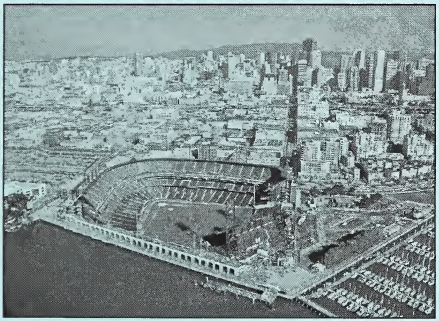

photo by: SF Convention & Visitors Bureau

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Building Inspection Fund -- Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings.

Children and Families Fund -- Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund -- Accounts for various grants primarily from the Department of Housing and Urban Development to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund -- Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund -- Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund -- Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund -- Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund -- Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

(Continued)

SPECIAL REVENUE FUNDS *(Continued)*

Gasoline Tax Fund -- Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund -- Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift Fund -- Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund -- Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund -- Accounts for state and federal grants used to promote education and discourage domestic violence.

Open Space and Park Fund -- Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund -- Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund -- Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund -- Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund -- Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

(Continued)

SPECIAL REVENUE FUNDS *(Continued)*

San Francisco County Transportation Authority Fund -- Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund -- Accounts for revenues from the allocation of one-fifth of the parking tax receipts and for grants from the state to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund -- Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund -- Accounts for property taxes and other revenues for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds -- Accounts for transfers of Base Rental payments from the various COP Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds -- Accounts for funds and debt service of two nonprofit corporations (Social Services Corporation and San Francisco Stadium, Inc.) and business tax settlement bonds.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund -- Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

(Continued)

CAPITAL PROJECTS FUNDS *(Continued)*

Earthquake Safety Improvement Fund -- Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Fire Protection Systems Improvement Fund -- Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund -- Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund -- Accounts for bond proceeds and private gifts which are designated for construction of public library facilities including a new main library. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund -- Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund -- Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund -- Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

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CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
ASSETS					
Deposits and investments with City Treasury	$ 481,257	$ 56,453	$ 516,854	$ 6,327	$ 1,060,891
Deposits and investments outside City Treasury	8,916	9,325	3,992	54	22,287
Receivables:					
Property taxes and penalties	3,361	5,068	-	-	8,429
Other local taxes	13,952	-	-	-	13,952
Federal and state grants and subventions	74,428	-	15,815	-	90,243
Charges for services	4,988	-	89	-	5,077
Interest and other	5,854	771	2,376	34	9,035
Due from other funds	533	-	3,427	-	3,960
Due from component unit	-	-	958	-	958
Loans receivable (net of allowance for uncollectibles)	74,041	-	-	-	74,041
Deferred charges and other assets	1,693	-	36	-	1,729
Total assets	$ 669,023	$ 71,617	$ 543,547	$ 6,415	$ 1,290,602
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 48,230	$ 6	$ 39,910	$ 5	$ 88,151
Accrued payroll	9,521	-	1,449	12	10,982
Deferred tax, grant and subvention revenues	21,089	4,632	4,721	-	30,442
Due to other funds	44,002	-	17,962	-	61,964
Deferred credits and other liabilities	82,356	10,662	1,737	-	94,755
Bonds, loans, capital leases and other payables	150,000	-	-	-	150,000
Total liabilities	355,198	15,300	65,779	17	436,294
Fund balances:					
Reserved for assets not available for appropriation	19,154	-	994	54	20,202
Reserved for debt service	1,112	56,317	-	-	57,429
Reserved for encumbrances	78,038	-	345,042	40	423,120
Reserved for appropriation carryforward	172,274	-	118,070	3,996	294,340
Reserved for subsequent years' budgets	8,004	-	-	-	8,004
Unreserved (deficit)	35,243	-	13,662	2,308	51,213
Total fund balances	313,825	56,317	477,768	6,398	854,308
Total liabilities and fund balances	$ 669,023	$ 71,617	$ 543,547	$ 6,415	$ 1,290,602

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2006

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 89,867	$ 134,981	$ -	$ -	$ 224,848
Business taxes	746	-	-	-	746
Other local taxes	115,163	-	-	-	115,163
Licenses, permits and franchises	6,786	-	51	-	6,837
Fines, forfeitures and penalties	4,254	-	-	-	4,254
Interest and investment income	22,120	3,881	21,301	248	47,550
Rents and concessions	30,089	802	666	862	32,419
Intergovernmental:					
Federal	157,953	-	10,584	-	168,537
State	65,665	821	9,316	-	75,802
Other	2,752	-	20,748	-	23,500
Charges for services	137,291	-	270	-	137,561
Other	44,170	-	1,854	504	46,528
Total revenues	676,856	140,485	64,790	1,614	883,745
Expenditures:					
Current:					
Public protection	47,928	-	-	-	47,928
Public works, transportation and commerce	228,221	-	-	-	228,221
Human welfare and neighborhood development	172,582	-	-	4	172,586
Community health	94,515	-	-	-	94,515
Culture and recreation	175,533	-	-	930	176,463
General administration and finance	14,628	-	-	-	14,628
General City responsibilities	698	-	-	-	698
Debt service:					
Principal retirement	10	86,960	-	-	86,970
Interest and fiscal charges	1	75,128	846	-	75,975
Bond issuance costs	-	-	1,933	-	1,933
Capital outlay	-	-	153,493	-	153,493
Total expenditures	734,116	162,088	156,272	934	1,053,410
Excess (deficiency) of revenues over (under) expenditures	(57,260)	(21,603)	(91,482)	680	(169,665)
Other financing sources (uses):					
Transfers in	106,746	33,834	21,512	-	162,092
Transfers out	(75,809)	(523)	(58,697)	(40)	(135,069)
Issuance of bonds and loans					
Face value of bonds issued	-	-	219,120	-	219,120
Face value of loans issued	5,359	-	-	-	5,359
Premium on issuance of bonds	-	-	10,233		10,233
Other financing sources-capital leases	1,662	-	-	-	1,662
Total other financing sources (uses)	37,958	33,311	192,168	(40)	263,397
Net change in fund balances	(19,302)	11,708	100,686	640	93,732
Fund balances at beginning of year	333,127	44,609	377,082	5,758	760,576
Fund balances at end of year	$ 313,825	$ 56,317	$ 477,768	$ 6,398	$ 854,308

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue

June 30, 2006

(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund	Environmental Protection Fund
ASSETS								
Deposits and investments with City Treasury	$ 29,385	$62,471	$ 81,058	$ 10,450	$ 14,437	$ 3,804	$ -	$ 1,040
Deposits and investments outside City Treasury	-	-	2,335	2	-	-	1	-
Receivables:								
Property taxes and penalties	-	1,292	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Federal and state grants and subventions	-	4,379	7,784	18,588	-	-	6,242	365
Charges for services	-	-	-	8	183	3	489	-
Interest and other	174	350	335	54	-	22	18	2
Due from other funds	-	-	-	-	-	-	-	109
Loans receivable (net of allowance for uncollectibles)	258	-	73,783	-	-	-	-	-
Deferred charges and other assets	-	85	446	14	-	-	-	-
Total assets	$ 29,817	$68,577	$ 165,741	$ 29,116	$ 14,620	$ 3,829	$ 6,750	$ 1,516
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 601	$20,585	$ 2,640	$ 8,463	$ 881	$ 305	$ 859	$ 140
Accrued payroll	1,090	619	403	1,125	16	6	111	25
Deferred tax, grant and subvention revenues	-	1,291	175	2,222	-	-	5,641	1,358
Due to other funds	-	614	-	-	-	-	596	-
Deferred credits and other liabilities	7,435	2,619	59,033	3,944	2,174	-	-	-
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-	-
Total liabilities	9,126	25,728	62,251	15,754	3,071	311	7,207	1,523
Fund balances:								
Reserved for assets not available for appropriation	-	85	17,085	14	1,011	-	-	-
Reserved for debt service	-	-	-	-	-	-	-	
Reserved for encumbrances	1,984	10,408	17,953	14,371	558	225	209	271
Reserved for appropriation carryforward	1,016	23,633	61,399	6,637	4,321	767	2,027	237
Reserved for subsequent years' budgets	-	8,000	-	-	-	-	4	-
Unreserved (deficit)	17,691	723	7,053	(7,660)	5,659	2,526	(2,697)	(515)
Total fund balances	20,691	42,849	103,490	13,362	11,549	3,518	(457)	(7)
Total liabilities and fund balances	$ 29,817	$68,577	$ 165,741	$ 29,116	$ 14,620	$ 3,829	$ 6,750	$ 1,516

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue *(Continued)*

June 30, 2006

(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
ASSETS							
Deposits and investments with City Treasury	$ -	$ 208	$ 6,463	$ 1,077	$ -	$ 24,231	$25,170
Deposits and investments outside City Treasury	-	8	469	-	-	-	-
Receivables:							
Property taxes and penalties	-	-	-	-	-	1,072	997
Other local taxes	-	-	-	-	-	-	-
Federal and state grants and subventions	1,824	3,792	71	-	4,855	-	-
Charges for services	95	1,874	-	479	-	-	-
Interest and other	1,579	504	18	-	-	144	63
Due from other funds	-	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Deferred charges and other assets	-	-	-	-	-	-	-
Total assets	$ 3,498	$ 6,386	$ 7,021	$ 1,556	$ 4,855	$ 25,447	$26,230
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 106	$ 1,191	$ 463	$ 407	$ 1,049	$ 481	$ 1,623
Accrued payroll	289	248	39	114	3	576	1,806
Deferred tax, grant and subvention revenues	-	3,792	101	-	98	943	943
Due to other funds	440	445	-	-	3,641	-	-
Deferred credits and other liabilities	-	125	-	149	-	2,236	2,197
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-
Total liabilities	835	5,801	603	670	4,791	4,236	6,569
Fund balances:							
Reserved for assets not available for appropriation	-	-	469	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-
Reserved for encumbrances	325	327	390	127	471	891	1,086
Reserved for appropriation carryforward	2,497	1,442	5,551	297	180	12,753	4,003
Reserved for subsequent years' budgets	-	-	-	-	-	-	-
Unreserved (deficit)	(159)	(1,184)	8	462	(587)	7,567	14,572
Total fund balances	2,663	585	6,418	886	64	21,211	19,661
Total liabilities and fund balances	$ 3,498	$ 6,386	$ 7,021	$ 1,556	$ 4,855	$ 25,447	$26,230

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue *(Continued)*

June 30, 2006

(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
ASSETS							
Deposits and investments with City Treasury	$ 2,748	$ 15,719	$ 2,228	$189,811	$ -	$ 10,957	$ 481,257
Deposits and investments outside City Treasury	751	1	223	5,126	-	-	8,916
Receivables:							
Property taxes and penalties	-	-	-	-	-	-	3,361
Other local taxes	205	-	-	13,747	-	-	13,952
Federal and state grants and subventions	25,025	8	-	661	834	-	74,428
Charges for services	-	1,847	10	-	-	-	4,988
Interest and other	114	-	5	2,472	-	-	5,854
Due from other funds	-	424	-	-	-	-	533
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	74,041
Deferred charges and other assets	3	1,145	-	-	-	-	1,693
Total assets	$28,846	$ 19,144	$ 2,466	$211,817	$ 834	$ 10,957	$ 669,023
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 3,070	$ 2,053	$ 201	$ 2,542	$ 276	$ 294	$ 48,230
Accrued payroll	2,147	470	69	61	3	301	9,521
Deferred tax, grant and subvention revenues	3,995	-	-	530	-	-	21,089
Due to other funds	-	3,975	-	33,736	555	-	44,002
Deferred credits and other liabilities	26	1,197	-	1,221	-	-	82,356
Bonds, loans, capital leases and other payables	-	-	-	150,000	-	-	150,000
Total liabilities	9,238	7,695	270	188,090	834	595	355,198
Fund balances:							
Reserved for assets not available for appropriation	418	-	72	-	-	-	19,154
Reserved for debt service	-	-	-	1,112	-	-	1,112
Reserved for encumbrances	23,582	3,453	90	1,131	-	186	78,038
Reserved for appropriation carryforward	5,835	5,558	3,425	21,484	11	9,201	172,274
Reserved for subsequent years' budgets	-	-	-	-	-	-	8,004
Unreserved (deficit)	(10,227)	2,438	(1,391)	-	(11)	975	35,243
Total fund balances	19,608	11,449	2,196	23,727	-	10,362	313,825
Total liabilities and fund balances	$28,846	$ 19,144	$ 2,466	$211,817	$ 834	$ 10,957	$ 669,023

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue
Year ended June 30, 2006
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund	Environment Protection Fund
Revenues								
Property taxes	$ -	$ 33,664	$ -	$ -	$ -	$ -	$ -	$
Business taxes	-	-	746	-	-	-	-	
Other local taxes	-	-	-	-	34,743	-	-	
Licenses, permits and franchises	3,552	-	-	-	-	-	171	
Fines, forfeitures and penalties	-	-	1,020	1,657	-	27	-	
Interest and investment income	1,155	1,862	6,181	239	654	166	107	5
Rents and concessions	-	-	-	-	17,613	-	178	
Intergovernmental:								
Federal	-	10,876	28,766	72,740	-	-	-	4
State	-	13,819	652	14,890	-	98	617	1,56
Other	-	-	-	-	-	-	-	45
Charges for services	36,324	871	3,845	1,951	3,594	3,834	6,592	
Other	17	5	36,269	234	-	-	403	1
Total revenues	41,048	61,097	77,479	91,711	56,604	4,125	8,068	2,13
Expenditures:								
Current:								
Public protection	-	-	-	20	-	840	-	
Public works, transportation and commerce	39,580	-	641	-	-	1,348	-	
Human welfare and neighborhood development	-	85,101	55,311	-	835	-	-	1,67
Community health	-	-	-	89,578	-	-	-	
Culture and recreation	-	-	40	-	52,120	-	7,562	
General administration and finance	-	-	1,794	-	-	-	-	
General City responsibilities	-	-	-	-	186	-	-	
Debt service:								
Principal retirement	-	-	-	-	-	-	10	
Interest and fiscal charges	-	-	-	-	-	-	1	
Total expenditures	39,580	85,101	57,786	89,598	53,141	2,188	7,573	1,67
Excess (deficiency) of revenues over (under) expenditures	1,468	(24,004)	19,693	2,113	(6,537)	1,937	495	45
Other financing sources (uses):								
Transfers in	-	26,763	45	-	10,019	-	226	
Transfers out	(2,843)	-	(2,645)	(85)	(652)	(1,500)	(801)	(84
Issuance of bonds and loans:								
Face value of loans issued	-	-	5,359	-	-	-	-	
Other financing sources-capital leases	-	-	-	-	-	-	-	
Total other financing sources (uses)	(2,843)	26,763	2,759	(85)	9,367	(1,500)	(575)	(84
Net change in fund balances	(1,375)	2,759	22,452	2,028	2,830	437	(80)	(38
Fund balances at beginning of year	22,066	40,090	81,038	11,334	8,719	3,081	(377)	38
Fund balances at end of year	$ 20,691	$ 42,849	$ 103,490	$ 13,362	$ 11,549	$ 3,518	$ (457)	$

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CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 28,101	$ 28,102
Business taxes	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-
Licenses, permits and franchises	2	1,255	-	-	214	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	10
Interest and investment income	66	43	321	14	-	713	319
Rents and concessions	-	640	-	2,603	-	-	39
Intergovernmental:							
Federal	-	-	-	-	13,489	-	14
State	23,336	105	-	-	363	171	639
Other	-	-	-	-	41	-	-
Charges for services	272	1,685	74	6,236	193	-	719
Other	3	-	5,154	-	64	-	116
Total revenues	23,679	3,728	5,549	8,853	14,364	28,985	29,958
Expenditures:							
Current:							
Public protection	-	373	130	-	-	-	-
Public works, transportation and commerce	31,943	886	449	180	-	532	26
Human welfare and neighborhood development	-	-	2,070	-	14,838	-	-
Community health	-	-	1,098	-	-	-	-
Culture and recreation	-	641	842	9,285	-	25,725	59,403
General administration and finance	-	5,670	2,159	-	-	-	-
General City responsibilities	-	466	46	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	31,943	8,036	6,794	9,465	14,838	26,257	59,429
Excess (deficiency) of revenues over (under) expenditures	(8,264)	(4,308)	(1,245)	(612)	(474)	2,728	(29,471)
Other financing sources (uses):							
Transfers in	8,796	457	1,562	1,568	331	935	39,195
Transfers out	(1,051)	(667)	(1,539)	(935)	(16)	(70)	(89)
Issuance of bonds and loans							
Face value of loans issued							
Other financing sources-capital leases	1,325	-	-	-	-	-	-
Total other financing sources (uses)	9,070	(210)	23	633	315	865	39,106
Net change in fund balances	806	(4,518)	(1,222)	21	(159)	3,593	9,635
Fund balances at beginning of year	1,857	5,103	7,640	865	223	17,618	10,026
Fund balances at end of year	$ 2,663	$ 585	$ 6,418	$ 886	$ 64	$ 21,211	$ 19,661

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 89,867
Business taxes	-	-	-	-	-	-	746
Other local taxes	-	-	-	72,064	-	8,356	115,163
Licenses, permits and franchises	1,592	-	-	-	-	-	6,786
Fines, forfeitures and penalties	1,530	4	-	-	-	6	4,254
Interest and investment income	686	673	43	8,410	19	392	22,120
Rents and concessions	-	158	7,024	-	-	1,834	30,089
Intergovernmental:							
Federal	26,850	1,059	-	-	4,112	-	157,953
State	7,653	118	-	1,382	260	-	65,665
Other	-	2,260	-	-	-	-	2,752
Charges for services	54,103	16,027	714	-	-	257	137,291
Other	87	1,721	14	70	-	-	44,170
Total revenues	92,501	22,020	7,795	81,926	4,391	10,845	676,856
Expenditures:							
Current:							
Public protection	46,515	50	-	-	-	-	47,928
Public works, transportation and commerce	55,591	11,466	20	85,070	-	489	228,221
Human welfare and neighborhood development	66	6,668	17	-	5,999	-	172,582
Community health	3,839	-	-	-	-	-	94,515
Culture and recreation	5	44	-	-	-	9,866	175,533
General administration and finance	58	75	4,872	-	-	-	14,628
General City responsibilities	-	-	-	-	-	-	698
Debt service:							
Principal retirement	-	-	-	-	-	-	10
Interest and fiscal charges	-	-	-	-	-	-	1
Total expenditures	106,074	18,303	4,909	85,070	5,999	10,355	734,116
Excess (deficiency) of revenues over (under) expenditures	(13,573)	3,717	2,886	(3,144)	(1,608)	490	(57,260)
Other financing sources (uses):							
Transfers in	16,714	135	-	-	-	-	106,746
Transfers out	(4,464)	(3,197)	(6,278)	(47,726)	(19)	(391)	(75,809)
Issuance of bonds and loans							
Face value of loans issued	-	-	-	-	-	-	5,359
Other financing sources-capital leases	-	337	-	-	-	-	1,662
Total other financing sources (uses)	12,250	(2,725)	(6,278)	(47,726)	(19)	(391)	37,958
Net change in fund balances	(1,323)	992	(3,392)	(50,870)	(1,627)	99	(19,302)
Fund balances at beginning of year	20,931	10,457	5,588	74,597	1,627	10,263	333,127
Fund balances at end of year	$ 19,608	$ 11,449	$ 2,196	$ 23,727	$ -	$ 10,362	$ 313,825

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis

Year ended June 30, 2006

(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 30,376	$ 30,676	$ 33,664	$ 2,988
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	4,000	4,000	3,552	(448)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	400	400	1,008	608	758	2,055	1,933	(122)
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	8	8	-	(8)	10,266	11,093	10,876	(217)
State	-	-	-	-	12,877	13,933	13,819	(114)
Other	-	-	-	-	-	-	-	-
Charges for services	33,035	33,035	36,342	3,307	108	1,041	871	(170)
Other revenues	-	-	-	-	-	4	4	-
Total revenues	37,443	37,443	40,902	3,459	54,385	58,802	61,167	2,365
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	41,603	42,168	39,580	2,588	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	83,043	85,884	85,081	803
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	41,603	42,168	39,580	2,588	83,043	85,884	85,081	803
Excess (deficiency) of revenues over (under) expenditures	(4,160)	(4,725)	1,322	6,047	(28,658)	(27,082)	(23,914)	3,168
Other financing sources (uses):								
Transfers in	-	-	-	-	26,082	26,744	26,744	-
Transfers out	(2,365)	(2,665)	(2,665)	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,365)	(2,665)	(2,665)	-	26,082	26,744	26,744	-
Net change in fund balances	(6,525)	(7,390)	(1,343)	6,047	(2,576)	(338)	2,830	3,168
Budgetary fund balance (deficit), July 1	6,525	22,059	22,059	-	2,576	40,066	40,066	-
Budgetary fund balance (deficit), June 30	$ -	$ 14,669	$ 20,716	$ 6,047	$ -	$ 39,728	$ 42,896	$ 3,168

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Community/Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	550	550	746	196	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	1,020	1,020	-	1,761	1,691	1,656	(35)
Interest and investment income	-	5,061	5,648	587	50	60	159	99
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	28,766	28,766	-	72,049	72,740	72,740	-
State	-	652	652	-	14,339	14,890	14,890	-
Other	-	-	-	-	-	-	-	-
Charges for services	3,357	3,547	3,845	298	123	1,917	1,951	34
Other revenues	-	21,927	36,269	14,342	119	234	234	-
Total revenues	3,907	61,523	76,946	15,423	88,441	91,532	91,630	98
Expenditures:								
Public protection	-	-	-	-	-	20	20	-
Public works, transportation and commerce	429	642	642	-	-	-	-	-
Human welfare and neighborhood development	5,485	56,431	55,934	497	-	-	-	-
Community health	-	-	-	-	88,441	89,592	89,592	-
Culture and recreation	555	40	40	-	-	-	-	-
General administration and finance	-	1,794	1,794	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	6,469	58,907	58,410	497	88,441	89,612	89,612	-
Excess (deficiency) of revenues over (under) expenditures	(2,562)	2,616	18,536	15,920	-	1,920	2,018	98
Other financing sources (uses):								
Transfers in	-	11	11	-	-	-	-	-
Transfers out	(121)	(2,036)	(2,036)	-	-	-	-	-
Issuance of loans	-	5,359	5,359	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(121)	3,334	3,334	-	-	-	-	-
Net change in fund balances	(2,683)	5,950	21,870	15,920	-	1,920	2,018	98
Budgetary fund balance (deficit), July 1	2,683	71,998	71,998	-	-	11,334	11,334	-
Budgetary fund balance (deficit), June 30	$ -	$ 77,948	$ 93,868	$ 15,920	$ -	$ 13,254	$ 13,352	$ 98

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	34,743	34,743	34,743	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	23	23	27	4
Interest and investment income	-	2	2	-	78	78	171	93
Rents and concessions	20,135	20,134	17,613	(2,521)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	251	98	98	-
Other	-	-	-	-	-	-	-	-
Charges for services	493	493	3,594	3,101	3,720	3,720	3,834	114
Other revenues	-	-	-	-	-	-	-	-
Total revenues	55,371	55,372	55,952	580	4,072	3,919	4,130	211
Expenditures:								
Public protection	-	-	-	-	2,072	787	840	(53)
Public works, transportation and commerce	-	-	-	-	1,000	2,348	1,348	1,000
Human welfare and neighborhood development	600	835	835	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	65,283	65,603	62,120	3,483	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	186	186	-	-	-	-	-
Total expenditures	65,883	66,624	63,141	3,483	3,072	3,135	2,188	947
Excess (deficiency) of revenues over (under) expenditures	(10,512)	(11,252)	(7,189)	4,063	1,000	784	1,942	1,158
Other financing sources (uses):								
Transfers in	10,512	10,019	10,019	-	-	-	-	-
Transfers out	-	-	-	-	-	(1,500)	(1,500)	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	-	-	-	-
Total other financing sources (uses)	10,512	10,019	10,019	-	-	(1,500)	(1,500)	-
Net change in fund balances	-	(1,233)	2,830	4,063	1,000	(716)	442	1,158
Budgetary fund balance (deficit), July 1	-	11,966	11,966	-	-	3,079	3,079	-
Budgetary fund balance (deficit), June 30	$ -	$ 10,733	$ 14,796	$ 4,063	$ 1,000	$ 2,363	$ 3,521	$ 1,158

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	168	168	171	3	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	52	52	110	58	-	6	14	8
Rents and concessions	158	158	178	20	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	46	46	-
State	-	617	617	-	1,375	1,562	1,562	-
Other	-	-	-	-	-	451	451	-
Charges for services	6,790	6,859	6,592	(267)	-	-	-	-
Other revenues	661	538	402	(136)	-	260	13	(247)
Total revenues	7,829	8,392	8,070	(322)	1,375	2,325	2,086	(239)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	85	-	-	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	917	1,677	1,677	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	8,003	7,438	7,438	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	8,088	7,438	7,438	-	917	1,677	1,677	-
Excess (deficiency) of revenues over (under) expenditures	(259)	954	632	(322)	458	648	409	(239)
Other financing sources (uses):								
Transfers in	-	102	102	-	-	-	-	-
Transfers out	-	(801)	(801)	-	(458)	(798)	(798)	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	(12)	(12)	(12)	-	-	-	-	-
Total other financing sources (uses)	(12)	(711)	(711)	-	(458)	(798)	(798)	-
Net change in fund balances	(271)	243	(79)	(322)	-	(150)	(389)	(239)
Budgetary fund balance (deficit), July 1	288	4,505	4,505	-	-	381	381	-
Budgetary fund balance (deficit), June 30	$ 17	$ 4,748	$ 4,426	$ (322)	$ -	$ 231	$ (8)	$ (239)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	1	1	-	2,168	2,168	1,256	(912)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	255	255	67	(188)	15	15	44	29
Rents and concessions	700	-	-	-	-	1,280	640	(640)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	18,819	24,036	23,337	(699)	-	-	105	105
Other	-	-	-	-	-	-	-	-
Charges for services	518	450	272	(178)	1,595	1,756	1,685	(71)
Other revenues	-	-	3	3	-	-	-	-
Total revenues	20,292	24,742	23,680	(1,062)	3,778	5,219	3,730	(1,489)
Expenditures:								
Public protection	-	-	-	-	354	374	374	-
Public works, transportation and commerce	27,902	32,208	31,438	770	1,612	886	886	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	641	641	-
General administration and finance	-	-	-	-	2,641	5,729	5,670	59
General City responsibilities	-	-	-	-	-	22	22	-
Total expenditures	27,902	32,208	31,438	770	4,607	7,652	7,593	59
Excess (deficiency) of revenues over (under) expenditures	(7,610)	(7,466)	(7,758)	(292)	(829)	(2,433)	(3,863)	(1,430)
Other financing sources (uses):								
Transfers in	7,610	8,796	8,796	-	-	12	12	-
Transfers out	-	(1,051)	(1,051)	-	(667)	(667)	(667)	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,610	7,745	7,745	-	(667)	(655)	(655)	-
Net change in fund balances	-	279	(13)	(292)	(1,496)	(3,088)	(4,518)	(1,430)
Budgetary fund balance (deficit), July 1	-	2,677	2,677	-	1,496	5,109	5,109	-
Budgetary fund balance (deficit), June 30	$ -	$ 2,956	$ 2,664	$ (292)	$ -	$ 2,021	$ 591	$ (1,430)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Gift Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	41	172	131	10	10	15	5
Rents and concessions	-	-	-	-	3,015	3,015	2,604	(411)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	113	74	(39)	7,732	7,732	6,236	(1,496)
Other revenues	1,418	4,691	5,154	463	-	-	-	-
Total revenues	1,418	4,845	5,400	555	10,757	10,757	8,855	(1,902)
Expenditures:								
Public protection	80	130	130	-	-	-	-	-
Public works, transportation and commerce	-	450	450	-	-	180	180	-
Human welfare and neighborhood development	342	2,071	2,071	-	-	-	-	-
Community health	873	1,098	1,098	-	-	-	-	-
Culture and recreation	123	842	842	-	10,333	11,508	9,285	2,223
General administration and finance	-	2,160	2,160	-	-	-	-	-
General City responsibilities	-	45	45	-	-	-	-	-
Total expenditures	1,418	6,796	6,796	-	10,333	11,688	9,465	2,223
Excess (deficiency) of revenues over (under) expenditures	-	(1,951)	(1,396)	555	424	(931)	(610)	321
Other financing sources (uses):								
Transfers in	-	1,562	1,562	-	-	1,568	1,568	-
Transfers out	-	(1,387)	(1,387)	-	(544)	(935)	(935)	-
Issuance of bonds								
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	175	175	-	(544)	633	633	-
Net change in fund balances	-	(1,776)	(1,221)	555	(120)	(298)	23	321
Budgetary fund balance (deficit), July 1	-	7,631	7,631	-	120	865	865	-
Budgetary fund balance (deficit), June 30	$ -	$ 5,855	$ 6,410	$ 555	$ -	$ 567	$ 888	$ 321

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Human Welfare Fund				Open Space and Park Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 25,403	$ 25,403	$ 28,101	$ 2,698
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	210	210	214	4	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	300	300	741	441
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	14,440	13,489	13,489	-	-	-	-	-
State	-	363	363	-	152	152	171	19
Other	-	41	41	-	-	-	-	-
Charges for services	180	180	193	13	-	-	-	-
Other revenues	-	-	64	64	-	-	-	-
Total revenues	14,830	14,283	14,364	81	25,855	25,855	29,013	3,158
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	532	532	-
Human welfare and neighborhood development	14,814	14,623	14,623	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	27,746	27,952	25,724	2,228
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	14,814	14,623	14,623	-	27,746	28,484	26,256	2,228
Excess (deficiency) of revenues over (under) expenditures	16	(340)	(259)	81	(1,891)	(2,629)	2,757	5,386
Other financing sources (uses):								
Transfers in	-	116	116	-	544	935	935	-
Transfers out	(16)	(16)	(16)	-	-	(70)	(70)	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(16)	100	100	-	544	865	865	-
Net change in fund balances	-	(240)	(159)	81	(1,347)	(1,764)	3,622	5,386
Budgetary fund balance (deficit), July 1	-	223	223	-	1,347	17,607	17,607	-
Budgetary fund balance (deficit), June 30	$ -	$ (17)	$ 64	$ 81	$ -	$ 15,843	$ 21,229	$ 5,386

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Public Library Fund				Public Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 25,403	$ 25,403	$ 28,101	$ 2,698	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	1,185	1,673	1,592	(81)
Fines, forfeitures, and penalties	-	-	10	10	1,819	1,819	1,529	(290)
Interest and investment income	50	50	250	200	77	86	816	730
Rents and concessions	28	28	39	11	-	-	-	-
Intergovernmental:								
Federal	-	15	15	-	34,639	26,850	26,850	-
State	651	648	639	(9)	7,089	7,653	7,653	-
Other	-	-	-	-	-	-	-	-
Charges for services	763	763	719	(44)	41,372	50,579	54,103	3,524
Other revenues	-	153	116	(37)	-	88	87	(1)
Total revenues	26,895	27,060	29,889	2,829	86,181	88,748	92,630	3,882
Expenditures:								
Public protection	-	-	-	-	37,576	46,276	46,163	113
Public works, transportation and commerce	-	26	26	-	54,077	55,727	55,591	136
Human welfare and neighborhood development	-	-	-	-	-	66	66	-
Community health	-	-	-	-	1,637	3,839	3,839	-
Culture and recreation	61,622	59,723	59,404	319	-	5	5	-
General administration and finance	-	-	-	-	-	58	58	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	61,622	59,749	59,430	319	93,290	105,971	105,722	249
Excess (deficiency) of revenues over (under) expenditures	(34,727)	(32,689)	(29,541)	3,148	(7,109)	(17,223)	(13,092)	4,131
Other financing sources (uses):								
Transfers in	33,791	39,419	39,195	(224)	16,289	16,355	16,355	-
Transfers out	-	-	-	-	(1,500)	(4,464)	(4,464)	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	(110)	(110)	-	110	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	(9,597)	-	-	-
Total other financing sources (uses)	33,681	39,309	39,195	(114)	5,192	11,891	11,891	-
Net change in fund balances	(1,046)	6,620	9,654	3,034	(1,917)	(5,332)	(1,201)	4,131
Budgetary fund balance (deficit), July 1	1,046	10,018	10,018	-	1,917	20,971	20,971	-
Budgetary fund balance (deficit), June 30	$ -	$ 16,638	$ 19,672	$ 3,034	$ -	$ 15,639	$ 19,770	$ 4,131

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Public Works, Transportation and Commerce Fund				Real Property Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	4	4	-	-	-	-
Interest and investment income	-	-	-	-	-	1	36	35
Rents and concessions	-	-	158	158	7,564	7,564	7,024	(540)
Intergovernmental:								
Federal	253	507	253	(254)	-	-	-	-
State	178	118	118	-	-	-	-	-
Other	-	2,260	2,260	-	-	-	-	-
Charges for services	6,271	13,176	16,027	2,851	-	-	714	714
Other revenues	-	976	1,721	745	-	15	14	(1)
Total revenues	6,702	17,037	20,541	3,504	7,564	7,580	7,788	208
Expenditures:								
Public protection	-	50	50	-	-	-	-	-
Public works, transportation and commerce	431	10,869	10,205	664	-	20	20	-
Human welfare and neighborhood development	6,305	6,785	6,668	117	-	17	17	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	44	44	-	-	-	-	-
General administration and finance	-	75	75	-	10,393	4,872	4,872	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	6,736	17,823	17,042	781	10,393	4,909	4,909	-
Excess (deficiency) of revenues over (under) expenditures	(34)	(786)	3,499	4,285	(2,829)	2,671	2,879	208
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(2,523)	(2,523)	-	-	(6,271)	(6,271)	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(2,523)	(2,523)	-	-	(6,271)	(6,271)	-
Net change in fund balances	(34)	(3,309)	976	4,285	(2,829)	(3,600)	(3,392)	208
Budgetary fund balance (deficit), July 1	34	10,519	10,519	-	2,829	5,593	5,593	-
Budgetary fund balance (deficit), June 30	$ -	$ 7,210	$ 11,495	$ 4,285	$ -	$ 1,993	$ 2,201	$ 208

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	San Francisco County Transportation Authority Fund				Senior Citizens' Program Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	70,500	70,500	72,064	1,564	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	887	887	8,410	7,523	-	-	-	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	5,062	4,124	4,112	(12)
State	3,546	3,545	1,382	(2,163)	1,845	1,755	259	(1,496)
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other revenues	2,000	2,000	70	(1,930)	-	-	-	-
Total revenues	76,933	76,932	81,926	4,994	6,907	5,879	4,371	(1,508)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	183,552	182,595	132,797	49,798	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	6,907	5,988	5,999	(13)
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	183,552	182,595	132,797	49,798	6,907	5,988	5,999	(13)
Excess (deficiency) of revenues over (under) expenditures	(106,619)	(105,663)	(50,871)	54,792	-	(107)	(1,628)	(1,521)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	(106,619)	(105,663)	(50,871)	54,792	-	(107)	(1,628)	(1,521)
Budgetary fund balance (deficit), July 1	106,619	217,275	217,275	-	-	1,631	1,631	-
Budgetary fund balance (deficit), June 30	$ -	$111,612	$166,404	$ 54,792	$ -	$ 1,524	$ 3	$ (1,521)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	War Memorial Fund				TOTAL			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 81,182	$ 81,482	$ 89,866	$ 8,384
Business taxes	-	-	-	-	550	550	746	196
Other local taxes	8,356	8,356	8,356	-	113,599	113,599	115,163	1,564
Licenses, permits, and franchises	-	-	-	-	7,731	8,220	6,786	(1,434)
Fines, forfeitures, and penalties	-	-	6	6	3,603	4,553	4,252	(301)
Interest and investment income	-	-	-	-	2,932	9,359	19,596	10,237
Rents and concessions	1,356	1,632	1,834	202	32,956	33,811	30,090	(3,721)
Intergovernmental:								
Federal	-	-	-	-	136,717	157,638	157,147	(491)
State	-	-	-	-	61,122	70,022	65,665	(4,357)
Other	-	-	-	-	-	2,752	2,752	-
Charges for services	251	290	257	(33)	106,308	125,651	137,309	11,658
Other revenues	-	-	-	-	4,198	30,886	44,151	13,265
Total revenues	9,963	10,278	10,453	175	550,898	638,523	673,523	35,000
Expenditures:								
Public protection	-	-	-	-	40,082	47,637	47,577	60
Public works, transportation and commerce	-	490	490	-	310,691	329,141	274,185	54,956
Human welfare and neighborhood development	-	-	-	-	118,413	174,375	172,971	1,404
Community health	-	-	-	-	90,951	94,529	94,529	-
Culture and recreation	10,558	9,989	9,866	123	184,223	183,785	175,409	8,376
General administration and finance	-	-	-	-	13,034	14,688	14,629	59
General City responsibilities	-	-	-	-	-	253	253	-
Total expenditures	10,558	10,479	10,356	123	757,394	844,408	779,553	64,855
Excess (deficiency) of revenues over (under) expenditures	(595)	(201)	97	298	(206,496)	(205,885)	(106,030)	99,855
Other financing sources (uses):								
Transfers in	-	-	-	-	94,828	105,639	105,415	(224)
Transfers out	-	(1)	(1)	-	(5,671)	(25,185)	(25,185)	-
Issuance of loans	-	-	-	-	-	5,359	5,359	-
Budget reserves and designations	-	-	-	-	(110)	(110)	-	110
Loan repayments and other financing sources	-	-	-	-	(9,609)	(12)	(12)	-
Total other financing sources (uses)	-	(1)	(1)	-	79,438	85,691	85,577	(114)
Net change in fund balances	(595)	(202)	96	298	(127,058)	(120,194)	(20,453)	99,741
Budgetary fund balance (deficit), July 1	595	10,230	10,230	-	128,075	475,737	475,737	-
Budgetary fund balance (deficit), June 30	$ -	$ 10,028	$ 10,326	$ 298	$ 1,017	$ 355,543	$ 455,284	$ 99,741

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis

Year ended June 30, 2006

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 41,603	$ 42,168	$ 39,580	$ 2,588
Total Building Inspection Fund	41,603	42,168	39,580	2,588
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	14,853	14,985	14,535	450
Children and Families Commission	11,518	13,408	13,408	-
Mayor's Office	56,672	57,491	57,138	353
Total Children and Families Fund	83,043	85,884	85,081	803
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Business and Economic Development	-	71	71	-
Public Works	429	392	392	-
Dept of Building Inspection	-	179	179	-
	429	642	642	-
Human Welfare and Neighborhood Development				
Controller	-	7,497	7,497	-
Mayor's Office	875	44,123	44,123	-
Rent Arbitration Board	4,610	4,811	4,314	497
	5,485	56,431	55,934	497
Culture and Recreation				
Recreation and Park Commission	555	40	40	-
General Administration and Finance				
City Attorney	-	1,020	1,020	-
City Planning	-	774	774	-
Total Community/Neighborhood Development Fund	6,469	58,907	58,410	497
COMMUNITY HEALTH SERVICES FUND				
Public Protection				
Trial Courts	-	20	20	-
Community Health				
Community Health Network	88,441	89,592	89,592	-
Total Community Health Services Fund	88,441	89,612	89,612	-
CONVENTION FACILITIES FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	600	836	836	-
Culture and Recreation				
Administrative Services - Convention Facilities	65,283	65,569	62,086	3,483
Arts Commission	-	34	34	-
	65,283	65,603	62,120	3,483
General City Responsibilities				
Controller	-	185	185	-
Total Convention Facilities Fund	65,883	66,624	63,141	3,483

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis (*Continued*)

Year ended June 30, 2006

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Police Department	74	74	74	-
Trial Courts	1,998	714	766	(52)
	2,072	788	840	(52)
Public Works, Transportation and Commerce				
Public Works	1,000	2,347	1,348	999
Total Court's Fund	3,072	3,135	2,188	947
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	85	-	-	-
Culture and Recreation				
Arts Commission	940	1,264	1,264	-
Asian Art Museum	982	694	694	-
Fine Arts Museums	4,281	3,793	3,793	-
Recreation and Park Commission	1,800	1,687	1,687	-
	8,003	7,438	7,438	-
Total Culture and Recreation Fund	8,088	7,438	7,438	-
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	917	1,677	1,677	-
Total Environmental Protection Fund	917	1,677	1,677	-
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	76	76	-
Public Utilities Commission	-	13	13	-
Public Works	27,902	32,119	31,349	770
Total Gasoline Tax Fund	27,902	32,208	31,438	770
GENERAL SERVICES FUND				
Public Protection				
Mayor's Office	-	93	93	-
Trial Courts	354	280	280	-
	354	373	373	-
Public Works, Transportation and Commerce				
Telecommunications and Information Services	1,612	886	886	-
Culture and Recreation				
Fine Arts Museum	-	641	641	-
General Administration and Finance				
Administrative Services	-	3,617	3,558	59
Assessor/Recorder	2,641	2,037	2,037	-
Board of Supervisors	-	76	76	-
	2,641	5,730	5,671	59
General City Responsibilities				
Controller	-	22	22	-
Total General Services Fund	4,607	7,652	7,593	59

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis (*Continued*)

Year ended June 30, 2006

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT FUND				
Public Protection				
Fire Department	20	75	75	-
Public Defender	60	21	21	-
Sheriff	-	19	19	-
Trial Courts	-	2	2	-
	80	117	117	-
Public Works, Transportation and Commerce				
Public Works	-	463	463	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	57	57	-
Social Services	342	2,014	2,014	-
	342	2,071	2,071	-
Community Health				
Community Health Network	873	1,098	1,098	-
Culture and Recreation				
Fine Arts Museums	-	147	147	-
Mayor's Office	-	66	66	-
Public Library	43	197	197	-
Recreation and Park Commission	80	432	432	-
	123	842	842	-
General Administration and Finance				
Administrative Services	-	9	9	-
Mayor's Office	-	10	10	-
Treasurer/Tax Collector	-	2,140	2,140	-
	-	2,159	2,159	-
General City Responsibilities				
Controller	-	46	46	-
Total Gift Fund	1,418	6,796	6,796	-
GOLF FUND				
Public Works, Transportation and Commerce				
Public Works	-	180	180	-
	-	180	180	-
Culture and Recreation				
Recreation and Park Commission	10,333	11,508	9,285	2,223
Total Golf Fund	10,333	11,688	9,465	2,223
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	194	230	230	-
Social Services	14,620	14,393	14,393	-
	14,814	14,623	14,623	-
Total Human Welfare Fund	14,814	14,623	14,623	-

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Works	-	532	532	-
Culture and Recreation				
Arts Commission	-	41	41	-
Recreation and Park Commission	27,746	27,911	25,683	2,228
	27,746	27,952	25,724	2,228
Total Open Space and Park Fund	27,746	28,484	26,256	2,228
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works	-	26	26	-
Culture and Recreation				
ART Commission	-	12	12	-
Public Library	61,622	59,711	59,392	319
	61,622	59,723	59,404	319
Total Public Library Fund	61,622	59,749	59,430	319
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney	5,249	5,162	5,162	-
Fire Department	383	4,165	4,165	-
Mayor's Office	2,537	2,795	2,795	-
Police Commission	26,143	28,436	28,322	114
Public Defender	169	213	213	-
Sheriff	2,472	4,916	4,916	-
Trial Courts	623	590	590	-
	37,576	46,277	46,163	114
Public Works, Transportation and Commerce				
Emergency Communications Department	54,077	55,421	55,286	135
Port	-	34	34	-
Public Works	-	253	253	-
Telecommunications and Information Services	-	18	18	-
	54,077	55,726	55,591	135
Human Welfare and Neighborhood Development				
Commission on Status of Women	-	66	66	-
Community Health				
Community Health	1,637	3,839	3,839	-
Culture and Recreation				
Recreation and Park	-	5	5	-
General Administration and Finance				
Administrative Services	-	58	58	-
Total Public Protection Fund	93,290	105,971	105,722	249

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis (*Continued*)

Year ended June 30, 2006

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Protection				
Mayor's Office	-	50	50	-
Public Works, Transportation and Commerce				
Department of Building Inspection	-	3	3	-
Municipal Transportation Agency	-	386	386	-
Public Utilities Commission	-	127	127	-
Public Works	431	10,353	9,689	664
	431	10,869	10,205	664
Human Welfare and Neighborhood Development				
Mayor's Office	6,305	6,785	6,668	117
Culture and Recreation				
Arts Commission	-	39	39	-
Public Library	-	5	5	-
	-	44	44	-
General Administration and Finance				
City Planning	-	75	75	-
Total Public Works, Transportation and Commerce Fund	6,736	17,823	17,042	781
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Works	-	20	20	-
Human Welfare and Neighborhood Development				
Rent Arbitration Board	-	17	17	-
General Administration and Finance				
Administrative Services	10,393	4,872	4,872	-
Total Real Property Fund	10,393	4,909	4,909	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	183,552	182,595	132,797	49,798
Total SF County Transportation Authority Fund	183,552	182,595	132,797	49,798
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	6,907	5,986	5,999	(13)
Total Senior Citizens' Program Fund	6,907	5,986	5,999	(13)
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works	-	490	490	-
Culture and Recreation				
War Memorial	10,558	9,989	9,866	123
Total War Memorial Fund	10,558	10,479	10,356	123
Total Special Revenue Funds With Legally Adopted Budgets	$ 757,394	$ 844,408	$ 779,553	$ 64,855

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Debt Service

June 30, 2006

(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
ASSETS				
Deposits and investments with City Treasury	$ 56,412	$ -	$ 41	$ 56,453
Deposits and investments outside City Treasury	-	9,325	-	9,325
Receivables:				
Property taxes and penalties	5,068	-	-	5,068
Interest and other	749	22	-	771
Total assets	$ 62,229	$ 9,347	$ 41	$ 71,617
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 6	$ -	$ -	$ 6
Deferred tax, grant and subvention revenues	4,632	-	-	4,632
Deferred credits and other liabilities	10,662	-	-	10,662
Total liabilities	15,300	-	-	15,300
Fund balances:				
Reserved for debt service	46,929	9,347	41	56,317
Total fund balances	46,929	9,347	41	56,317
Total liabilities and fund balances	$ 62,229	$ 9,347	$ 41	$ 71,617

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Debt Service
Year ended June 30, 2006
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
Revenues:				
Property taxes	$ 134,981	$ -	$ -	$ 134,981
Interest and investment income	3,501	380	-	3,881
Rents and concessions	-	802	-	802
Intergovernmental:				
State	821	-	-	821
Total revenues	139,303	1,182	-	140,485
Expenditures:				
Current:				
Debt service:				
Principal retirement	73,270	7,160	6,530	86,960
Interest and fiscal charges	60,273	13,291	1,564	75,128
Total expenditures	133,543	20,451	8,094	162,088
Excess (deficiency) of revenues over (under) expenditures	5,760	(19,269)	(8,094)	(21,603)
Other financing sources (uses):				
Transfers in	7,464	18,276	8,094	33,834
Transfers out	(69)	-	(454)	(523)
Total other financing sources, net	7,395	18,276	7,640	33,311
Net change in fund balances	13,155	(993)	(454)	11,708
Fund balances at beginning of year	33,774	10,340	495	44,609
Fund balances at end of year	$ 46,929	$ 9,347	$ 41	$ 56,317

CITY AND COUNTY OF SAN FRANCISCO

DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis

Year ended June 30, 2006

(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 136,216	$ 136,216	$ 134,981	$ (1,235)
Interest and investment income	-	-	1,779	1,779
State	750	750	821	71
Total revenues	136,966	136,966	137,581	615
Expenditures:				
Debt service:				
Principal retirement	136,966	73,270	73,270	-
Interest and fiscal charges	-	71,160	52,215	18,945
Total expenditures	136,966	144,430	125,485	18,945
Excess (deficiency) of revenues over (under) expenditures	-	(7,464)	12,096	19,560
Other financing sources (uses):				
Transfers in	-	7,464	7,464	-
Total other financing sources (uses)	-	7,464	7,464	-
Net change in fund balances	-	-	19,560	19,560
Budgetary fund balance, July 1	-	33,386	33,386	-
Budgetary fund balance, June 30	$ -	$ 33,386	$ 52,946	$ 19,560

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CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects

June 30, 2006

(In Thousands)

	City Facilities Improvement	Earthquake Safety Improvement	Fire Protection Systems Improvement	Moscone Convention Center
ASSETS				
Deposits and investments with City Treasury	$ 383,589	$ 3,605	$ 11,604	$ 7,543
Deposits and investments outside City Treasury	3,992	-	-	-
Receivables:				
Federal and state grants and subventions	-	56	-	-
Charges for services	-	-	-	-
Interest and other	1,758	25	82	68
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Deferred charges and other assets	-	-	-	36
Total assets	$ 389,339	$ 3,686	$ 11,686	$ 7,647
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 27,510	$ 65	$ 267	$ -
Accrued payroll	154	29	5	-
Deferred tax, grant and subvention revenues	-	-	-	-
Due to other funds	3	-	-	12,496
Deferred credits and other liabilities	134	24	-	-
Total liabilities	27,801	118	272	12,496
Fund balances:				
Reserved for assets not available for appropriation	-	-	-	36
Reserved for encumbrances	298,075	254	349	93
Reserved for appropriation carryforward	47,698	2,928	1,109	(84)
Unreserved	15,765	386	9,956	(4,894)
Total fund balances	361,538	3,568	11,414	(4,849)
Total liabilities and fund balances	$ 389,339	$ 3,686	$ 11,686	$ 7,647

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects *(Continued)*

June 30, 2006

(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
ASSETS				
Deposits and investments with City Treasury	$ 46,601	$ 63,912	$ -	$ 516,854
Deposits and investments outside City Treasury	-	-	-	3,992
Receivables:				
Federal and state grants and subventions	-	6,119	9,640	15,815
Charges for services	-	-	89	89
Interest and other	264	179	-	2,376
Due from other funds	-	-	3,427	3,427
Due from component unit	-	-	958	958
Deferred charges and other assets	-	-	-	36
Total assets	$ 46,865	$ 70,210	$ 14,114	$ 543,547
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,341	$ 6,766	$ 3,961	$ 39,910
Accrued payroll	88	337	836	1,449
Deferred tax, grant and subvention revenues	-	4,645	76	4,721
Due to other funds	-	-	5,463	17,962
Deferred credits and other liabilities	6	235	1,338	1,737
Total liabilities	1,435	11,983	11,674	65,779
Fund balances:				
Reserved for assets not available for appropriation	-	-	958	994
Reserved for encumbrances	7,534	30,832	7,905	345,042
Reserved for appropriation carryforward	37,516	28,903	-	118,070
Unreserved	380	(1,508)	(6,423)	13,662
Total fund balances	45,430	58,227	2,440	477,768
Total liabilities and fund balances	$ 46,865	$ 70,210	$ 14,114	$ 543,547

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects

Year ended June 30, 2006

(In Thousands)

	City Facilities Improve-ment	Earthquake Safety Improve-ment	Fire Protection Systems Improve-ment	Moscone Convention Center
Revenues:				
Licenses, permits and franchises	$ -	$ -	$ -	$ -
Interest and investment income	15,599	150	519	406
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	-	859	-	-
State	-	-	-	-
Other	-	-	-	-
Charges for services	253	-	-	-
Other	-	-	-	-
Total revenues	15,852	1,009	519	406
Expenditures:				
Debt service:				
Interest and fiscal charges	-	-	-	-
Bond issuance costs	1,684	-	-	-
Capital outlay	63,160	166	3,330	100
Total expenditures	64,844	166	3,330	100
Excess (deficiency) of revenues over (under) expenditures	(48,992)	843	(2,811)	306
Other financing sources (uses):				
Transfers in	7,292	-	-	-
Transfers out	(55,106)	(1,900)	-	-
Issuance of bonds and loans				
Face value of bonds issued	185,120	-	-	-
Premium on issuance of bonds	8,347	-	-	-
Total other financing sources, net	145,653	(1,900)	-	-
Net change in fund balances	96,661	(1,057)	(2,811)	306
Fund balances at beginning of year	264,877	4,625	14,225	(5,155)
Fund balances at end of year	$ 361,538	$ 3,568	$ 11,414	$ (4,849)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
Revenues:				
Licenses, permits and franchises	$ -	$ -	$ 51	$ 51
Interest and investment income	1,906	2,516	205	21,301
Rents and concessions	55	-	611	666
Intergovernmental:				
Federal	-	-	9,725	10,584
State	-	8,218	1,098	9,316
Other	-	-	20,748	20,748
Charges for services	-	17	-	270
Other	-	26	1,828	1,854
Total revenues	1,961	10,777	34,266	64,790
Expenditures:				
Debt service:				
Interest and fiscal charges	47	-	799	846
Bond issuance costs	249	-	-	1,933
Capital outlay	9,713	29,856	47,168	153,493
Total expenditures	10,009	29,856	47,967	156,272
Excess (deficiency) of revenues over (under) expenditures	(8,048)	(19,079)	(13,701)	(91,482)
Other financing sources (uses):				
Transfers in	-	2,244	11,976	21,512
Transfers out	(1,691)	-	-	(58,697)
Issuance of bonds and loans				
Face value of bonds issued	34,000	-	-	219,120
Premium on issuance of bonds	1,886	-	-	10,233
Total other financing sources, net	34,195	2,244	11,976	192,168
Net change in fund balances	26,147	(16,835)	(1,725)	100,686
Fund balances at beginning of year	19,283	75,062	4,165	377,082
Fund balances at end of year	$ 45,430	$ 58,227	$ 2,440	$ 477,768

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund -- Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation -- Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund -- Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund -- Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city personnel. It also accounts for the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Assets
Internal Service Funds

June 30, 2006

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total	
Assets						
Current assets:						
Deposits and investments with City Treasury	$ 854	$ 277	$ 980	$ 5,832	$ 7,943	
Deposits and investments outside City Treasury	-	25,133	-	-	25,133	
Receivables:						
Charges for services	78	-	-	-	78	
Interest and other	-	60	-	775	835	
Due from other funds	-	268	-	-	268	(1)
Capital leases receivable	-	21,855	-	-	21,855	
Deferred charges and other assets	-	-	-	149	149	
Total current assets	932	47,593	980	6,756	56,261	
Noncurrent assets:						
Capital leases receivable	-	210,947	-	-	210,947	
Capital assets:						
Facilities and equipment, net of depreciation	1,949	-	149	2,377	4,475	
Deferred charges and other assets	-	2,549	-	2	2,551	
Total noncurrent assets	1,949	213,496	149	2,379	217,973	
Total assets	$ 2,881	$ 261,089	$ 1,129	$ 9,135	$ 274,234	
Liabilities						
Current liabilities:						
Accounts payable	$ 1,225	$ -	$ 246	$ 4,433	$ 5,904	
Accrued payroll	371	-	71	1,161	1,603	
Accrued vacation and sick leave pay	433	-	-	1,436	1,869	
Accrued workers' compensation	-	-	-	216	216	
Bonds, loans, capital leases, and other payables	-	20,550	-	122	20,672	
Accrued interest payable	-	1,305	-	-	1,305	
Due to other funds	195	-	-	73	268	(1)
Deferred credits and other liabilities	-	28,287	22	1,366	29,675	
Total current liabilities	2,224	50,142	339	8,807	61,512	
Noncurrent liabilities:						
Accrued vacation and sick leave pay	390	-	-	1,671	2,061	
Accrued workers' compensation	-	-	-	889	889	
Bonds, loans, capital leases, and other payables	-	210,947	-	61	211,008	
Total noncurrent liabilities	390	210,947	-	2,621	213,958	
Total liabilities	2,614	261,089	339	11,428	275,470	
Net Assets						
Invested in capital assets, net of related debt	1,949	-	149	2,194	4,292	
Unrestricted (deficit)	(1,682)	-	641	(4,487)	(5,528)	
Total net assets (deficit)	$ 267	$ -	$ 790	$ (2,293)	$ (1,236)	

Notes:

(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Assets - Proprietary Funds on page 34.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Internal Service Funds

Year ended June 30, 2006

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 20,495	$ -	$ 6,762	$ 71,686	$ 98,943
Rent and concessions	-	-	-	61	61
Total operating revenues	20,495	-	6,762	71,747	99,004
Operating expenses:					
Personal services	9,831	-	1,848	30,969	42,648
Contractual services	1,609	-	4,013	25,326	30,948
Materials and supplies	7,028	-	388	9,262	16,678
Depreciation and amortization	365	168	54	598	1,185
General and administrative	82	-	33	370	485
Services provided by other departments	1,278	-	348	3,208	4,834
Other	-	-	131	2,284	2,415
Total operating expenses	20,193	168	6,815	72,017	99,193
Operating income (loss)	302	(168)	(53)	(270)	(189)
Nonoperating revenues (expenses):					
Interest and investment income	-	7,966	-	-	7,966
Interest expense	(166)	(7,798)	(33)	(203)	(8,200)
Other, net	-	-	-	28	28
Total nonoperating revenues (expenses)	(166)	168	(33)	(175)	(206)
Income (loss) before transfers	136	-	(86)	(445)	(395)
Transfers in	400	-	33	203	636
Change in net assets	536	-	(53)	(242)	241
Total net assets (deficit) - beginning	(269)	-	843	(2,051)	(1,477)
Total net assets (deficit) - ending	$ 267	$ -	$ 790	$ (2,293)	$ (1,236)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows
Internal Service Funds

Year ended June 30, 2006

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 20,417	$ 18,910	$ 6,763	$ 72,223	$ 118,313
Cash paid to employees for services	(9,703)	-	(1,841)	(30,724)	(42,268)
Cash paid to suppliers for goods and services	(9,579)	(3,465)	(5,196)	(40,990)	(59,230)
Net cash provided by (used in) operating activities	1,135	15,445	(274)	509	16,815
Cash flows from noncapital financing activities:					
Transfers in	400	-	33	203	636
Net cash provided by noncapital financing activities	400	-	33	203	636
Cash flows from capital and related financing activities:					
Bond sale proceeds	-	19,671	-	-	19,671
Acquisition of capital assets	(892)	-	(11)	(552)	(1,455)
Retirement of capital lease obligation	-	(18,910)	-	(411)	(19,321)
Bond issue costs paid	-	(319)	-	-	(319)
Interest paid on long term debt	-	(7,575)	-	-	(7,575)
Net cash used in capital financing activities	(892)	(7,133)	(11)	(963)	(8,999)
Cash flows from investing activities:					
Interest income received	-	773	-	-	773
Other investing activities	(166)	-	(33)	(203)	(402)
Net cash provided by (used in) investing activities	(166)	773	(33)	(203)	371
Increase (decrease) in cash and cash equivalents	477	9,085	(285)	(454)	8,823
Cash and cash equivalents - beginning of year	377	16,325	1,265	6,286	24,253
Cash and cash equivalents - end of year	$ 854	$ 25,410	$ 980	$ 5,832	$ 33,076
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 302	$ (168)	$ (53)	$ (270)	$ (189)
Adjustments for non-cash activities:					
Depreciation and amortization	365	168	54	598	1,185
Other	-	-	-	28	28
Changes in assets/liabilities:					
Receivables, net	(78)	18,910	-	(319)	18,513
Due from other funds	-	-	-	24	24
Accounts payable	418	-	(283)	(564)	(429)
Accrued payroll	62	-	7	149	218
Accrued vacation and sick leave pay	66	-	-	142	208
Accrued workers' compensation	-	-	-	(46)	(46)
Deferred credits and other liabilities	-	(3,465)	1	767	(2,697)
Total adjustments	833	15,613	(221)	779	17,004
Net cash provided by (used in) operating activities	$ 1,135	$ 15,445	$ (274)	$ 509	$ 16,815
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investments with City Treasury	$ 854	$ 277	$ 980	$ 5,832	$ 7,943
Restricted deposits and investments outside City Treasury	-	25,133	-	-	25,133
Cash and cash equivalents at end of year on combining statement of cash flows	$ 854	$ 25,410	$ 980	$ 5,832	$ 33,076

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units.

Trust Funds

Employees' Retirement System -- Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System -- Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund -- Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund -- Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund -- Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund -- Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund -- Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds -- Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Fiduciary Net Assets

Fiduciary Funds
Pension and Other Employee Benefit Trust Funds

June 30, 2006

(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
ASSETS			
Deposits and investments with City Treasury	$ 1,979	$ 68,408	$ 70,387
Deposits and investments outside City Treasury:			
Cash and deposits	22,749	-	22,749
Short term bills and notes	943,168	-	943,168
Debt securities	3,669,902	-	3,669,902
Equity securities	7,197,575	-	7,197,575
Real estate	1,316,852	-	1,316,852
Venture capital	1,492,752	-	1,492,752
Receivables:			
Employer and employee contributions	10,408	13,298	23,706
Brokers, general partners and others	133,277	-	133,277
Interest and other	40,998	382	41,380
Invested securities lending collateral	2,040,873	-	2,040,873
Total assets	16,870,533	82,088	16,952,621
Liabilities			
Accounts payable	11,250	1,866	13,116
Estimated claims payable	-	8,888	8,888
Obligations under fixed coupon dollar reverse repurchase agreements	99,141	-	99,141
Payable to brokers	209,422	-	209,422
Securities lending collateral	2,040,873	-	2,040,873
Deferred credits and other liabilities	12,825	28,794	41,619
Total liabilities	2,373,511	39,548	2,413,059
Net Assets			
Held in trust for pension benefits and other purposes	$ 14,497,022	$ 42,540	$ 14,539,562

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds
Pension and Other Employee Benefit Trust Funds

Year ended June 30, 2006

(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
Additions:			
Employees' contributions	$ 162,693	$ 70,535	$ 233,228
Employer contributions	126,533	404,707	531,240
Total contributions	289,226	475,242	764,468
Investment income:			
Interest	227,637	2,368	230,005
Dividends	144,493	-	144,493
Net increase/(decrease) in fair value of investments	1,337,830	(87)	1,337,743
Securities lending income	77,358	-	77,358
Fixed coupon dollar reverse repurchase agreement income	5,467	-	5,467
Total investment income	1,792,785	2,281	1,795,066
Less investment expenses:			
Securities lending borrower rebates and expenses	(67,909)	-	(67,909)
Fixed coupon dollar reverse repurchase finance charges and expenses	(5,372)	-	(5,372)
Other expenses	(40,785)	-	(40,735)
Total investment expenses	(114,066)	-	(114,066)
Total additions, net	1,967,945	477,523	2,445,468
Deductions:			
Benefit payments	586,245	481,708	1,067,953
Refunds of contributions	8,719	-	8,719
Administrative expenses	11,222	-	11,222
Total deductions	606,186	481,708	1,087,894
Change in net assets	1,361,759	(4,185)	1,357,574
Net assets at beginning of year	13,135,263	46,725	13,181,988
Net assets at end of year	$ 14,497,022	$ 42,540	$ 14,539,562

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Year ended June 30, 2006

(In Thousands)

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Assistance Program Fund				
ASSETS				
Deposits and investments with City Treasury	$ 1,464	$ 31,989	$ 32,207	$ 1,246
Receivables:				
Interest and other	65	1	66	-
Total assets	$ 1,529	$ 31,990	$ 32,273	$ 1,246
LIABILITIES				
Accounts payable	$ 958	$ 5,777	$ 6,685	$ 50
Agency obligations	571	30,562	29,937	1,196
Total liabilities	$ 1,529	$ 36,339	$ 36,622	$ 1,246
Deposits Fund				
ASSETS				
Deposits and investments with City Treasury	$ 29,205	$ 42,444	$ 38,289	$ 33,360
Deposits and investments outside City Treasury	-	87	-	87
Receivables:				
Interest and other	-	43	19	24
Deferred charges and other assets	25,658	1,000	-	26,658
Total assets	$ 54,863	$ 43,574	$ 38,308	$ 60,129
LIABILITIES				
Accounts payable	$ 996	$ 20,292	$ 20,527	$ 761
Agency obligations	53,867	42,414	36,913	59,368
Total liabilities	$ 54,863	$ 62,706	$ 57,440	$ 60,129
Payroll Deduction Fund				
ASSETS				
Deposits and investments with City Treasury	$ 10,248	$ -	$ 4,232	$ 6,016
Receivables:				
Employer and employee contributions	29,925	5,226	-	35,151
Total assets	$ 40,173	$ 5,226	$ 4,232	$ 41,167
LIABILITIES				
Accounts payable	$ 33,768	$ 7,051	$ -	$ 40,819
Agency obligations	6,405	684	6,741	348
Total liabilities	$ 40,173	$ 7,735	$ 6,741	$ 41,167

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
State Revenue Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 681	$ 2,036	$ 2,111	$ 606
Deposits and investments outside City Treasury	-	10	-	10
Total assets	$ 681	$ 2,046	$ 2,111	$ 616
LIABILITIES				
Accounts payable	$ 318	$ 2,021	$ 2,066	$ 273
Agency obligations	363	2,044	2,064	343
Total liabilities	$ 681	$ 4,065	$ 4,130	$ 616
Tax Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 53,295	$ 1,981,631	$ 1,998,782	$ 36,144
Receivables:				
Interest and other	99,122	108,776	98,452	109,446
Total assets	$ 152,417	$ 2,090,407	$ 2,097,234	$ 145,590
LIABILITIES				
Accounts payable	$ 770	$ 61,985	$ 57,678	$ 5,077
Agency obligations	151,647	1,447,706	1,458,840	140,513
Total liabilities	$ 152,417	$ 1,509,691	$ 1,516,518	$ 145,590
Transit Fund				
ASSETS				
Deposits and investments with City Treasury	$ 5,551	$ 46,764	$ 45,392	$ 6,923
Receivables:				
Interest and other	13	205	197	21
Total assets	$ 5,564	$ 46,969	$ 45,589	$ 6,944
LIABILITIES				
Accounts payable	$ 766	$ 12,809	$ 12,247	$ 1,328
Agency obligations	4,798	34,713	33,895	5,616
Total liabilities	$ 5,564	$ 47,522	$ 46,142	$ 6,944

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds *(Continued)*

Year ended June 30, 2006

(In Thousands)

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Other Agency Funds				
ASSETS				
Deposits and investments with City Treasury	$ 10,022	$ 110,824	$ 105,016	$ 15,830
Deposits and investments outside City Treasury	-	23	-	23
Receivables:				
Interest and other	154	233	160	227
Total assets	$ 10,176	$ 111,080	$ 105,176	$ 16,080
LIABILITIES				
Accounts payable	$ 6,942	$ 97,512	$ 99,216	$ 5,238
Agency obligations	3,234	101,048	93,440	10,842
Total liabilities	$ 10,176	$ 198,560	$ 192,656	$ 16,080
Total Agency Funds				
ASSETS				
Deposits and investments with City Treasury	$ 110,466	$ 2,215,688	$ 2,226,029	$ 100,125
Deposits and investments outside City Treasury	-	120	-	120
Receivables:				
Employer and employee contributions	29,925	5,226	-	35,151
Interest and other	99,354	109,258	98,894	109,718
Deferred charges and other assets	25,658	1,000	-	26,658
Total assets	$ 265,403	$ 2,331,292	$ 2,324,923	$ 271,772
LIABILITIES				
Accounts payable	$ 44,518	$ 207,447	$ 198,419	$ 53,546
Agency obligations	220,885	1,659,171	1,661,830	218,226
Total liabilities	$ 265,403	$ 1,866,618	$ 1,860,249	$ 271,772

Statistical Section

photo by: SF Convention & Visitors Bureau

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Pages 180-187)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 188-191)

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (Pages 192-197)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (Pages 198-199)

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. (Pages 200-202)

Sources:
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in 2001; schedules presenting government-wide data include information beginning in that year.

CITY AND COUNTY OF SAN FRANCISCO

NET ASSETS BY COMPONENT

Last Six Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year					
	2001 [1]	2002 [2]	2003 [3]	2004	2005	2006
Governmental activities						
Invested in capital assets, net of related debt	$ 779,698	$ 887,667	$ 983,834	$ 1,096,834	$ 1,159,696	$ 1,438,010
Restricted for:						
Cash and emergencies requirements by Charter [4]	97,491	93,293	59,337	55,139	-	-
Reserve for rainy day	-	-	-	-	48,139	121,976
Debt service	10,855	12,135	7,795	9,996	46,575	53,076
Capital projects	118,549	115,052	86,912	48,313	25,101	10,589
Community development	181,264	135,308	158,591	163,875	208,532	71,207
Transportation Authority activities	162,037	142,740	149,070	135,466	75,282	23,727
Other purposes	153,838	219,351	133,233	122,265	138,224	148,071
Unrestricted (deficit)	(45,402)	(130,525)	(265,950)	(325,147)	(200,467)	(72,038)
Total governmental activities net assets	$ 1,458,330	$ 1,475,021	$ 1,312,822	$ 1,306,741	$ 1,501,082	$ 1,794,618
Business-type activities						
Invested in capital assets, net of related debt	$ 2,970,198	$ 3,115,392	$ 3,273,449	$ 3,416,154	$ 3,391,450	$ 3,438,397
Restricted for:						
Debt service	276,392	334,747	273,242	242,537	202,006	256,055
Capital projects	189,103	141,154	147,693	128,387	161,231	148,957
Other purposes	112,335	70,118	61,616	61,241	66,753	32,354
Unrestricted	578,675	568,599	542,813	464,658	446,039	536,670
Total business-type activities net assets	$ 4,126,703	$ 4,230,010	$ 4,298,813	$ 4,312,977	$ 4,267,479	$ 4,412,433
Primary government						
Invested in capital assets, net of related debt	$ 3,749,896	$ 4,003,059	$ 4,257,283	$ 4,512,988	$ 4,551,146	$ 4,876,407
Restricted for:						
Cash and emergencies requirements by Charter	97,491	93,293	59,337	55,139	-	-
Reserve for rainy day	-	-	-	-	48,139	121,976
Debt service	287,247	346,882	281,037	252,533	248,581	309,131
Capital projects	307,652	256,206	234,605	176,700	186,332	159,546
Community development	181,264	135,308	158,591	163,875	208,532	71,207
Transportation Authority activities	162,037	142,740	149,070	135,466	75,282	23,727
Other purposes	266,173	289,469	194,849	183,506	204,977	180,425
Unrestricted	533,273	438,074	276,863	139,511	245,572	464,632
Total primary activities net assets	$ 5,585,033	$ 5,705,031	$ 5,611,635	$ 5,619,718	$ 5,768,561	$ 6,207,051

Notes:

(1) Trend data is only available for the last six fiscal years due to the implementation of GASB Statement 34 in fiscal year 2000-2001.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities.

(4) The City's Charter was amended in November 2003 and replaced the reserve for cash and emergencies requirements by Charter with the reserve for rainy day.

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET ASSETS

Last Six Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year					
	2001 [1]	2002 [2]	2003 [3]	2004	2005	2006
Expenses						
Governmental activities:						
Public protection	$ 699,472	$ 717,552	$ 778,710	$ 727,580	$ 738,688	$ 780,642
Public works, transportation and commerce	309,171	317,778	287,910	169,179	213,335	272,397
Human welfare and neighborhood development	523,827	586,188	626,306	651,250	619,753	858,396
Community health	457,500	493,856	542,480	517,066	503,259	478,844
Culture and recreation	229,721	246,620	242,398	232,187	256,336	244,423
General administration and finance	107,318	156,770	186,144	183,258	152,850	167,490
General City responsibilities	109,804	55,551	53,026	73,530	59,024	49,054
Unallocated Interest on long-term debt	73,588	77,335	77,827	86,131	89,690	94,923
Total governmental activities expenses	2,510,401	2,651,650	2,794,801	2,640,181	2,632,935	2,946,169
Business-type activities:						
Airport	529,002	599,335	641,036	618,301	628,445	633,102
Transportation	468,753	528,725	628,180	660,650	711,733	695,593
Port	47,587	58,694	61,074	61,185	54,897	55,329
Water	145,858	165,362	186,579	206,211	197,848	213,584
Power	107,000	113,754	95,427	121,629	116,683	119,146
Hospitals	513,486	525,045	561,673	562,188	598,160	646,149
Sewer	149,687	159,896	153,845	150,586	160,650	160,701
Garages	34,155	32,274	-	-	-	-
Market	-	-	894	949	1,055	1,035
Total business-type activities expenses	1,995,528	2,183,085	2,328,708	2,381,699	2,469,471	2,524,639
Total primary government expenses	$ 4,505,929	$ 4,834,735	$ 5,123,509	$ 5,021,880	$ 5,102,406	$ 5,470,808
Program Revenues						
Governmental activities:						
Charges for services:						
Public protection	$ 43,051	$ 42,254	$ 44,291	$ 40,349	$ 54,805	$ 51,874
Public works, transportation and commerce	97,432	102,576	84,057	83,176	95,081	113,861
Human welfare and neighborhood development	12,742	20,292	26,349	23,931	21,375	29,181
Community health	29,999	36,176	41,906	38,933	44,850	52,183
Culture and recreation	57,191	47,116	44,629	53,369	64,614	64,720
General administration and finance	49,977	53,434	36,525	43,585	41,348	55,799
General City responsibilities	54,329	47,050	41,123	59,609	28,956	31,647
Operating Grants and Contributions	763,863	781,767	809,670	823,784	834,607	859,919
Capital Grants and Contributions	22,619	58,394	46,029	39,209	55,435	248,329
Total Governmental activities program revenues	1,131,203	1,189,059	1,174,579	1,205,945	1,241,071	1,507,513
Business-type activities:						
Charges for services:						
Airport	414,880	465,176	500,116	486,132	477,314	455,342
Transportation	113,196	107,455	155,656	186,390	187,913	210,692
Port	50,345	50,494	54,467	56,702	57,519	58,588
Water	149,917	147,216	170,253	168,260	184,835	201,833
Power	101,963	125,777	132,190	124,474	132,303	149,500
Hospitals	398,461	412,874	429,128	453,607	493,596	472,327
Sewer	141,770	134,595	134,745	137,806	148,888	164,703
Garages	37,589	35,645	-	-	-	-
Market	-	-	1,296	1,413	1,462	1,503
Operating Grants and Contributions	260,520	282,059	164,257	169,767	180,807	188,672
Capital Grants and Contributions	335,520	251,747	204,751	94,818	93,724	110,403
Total business-type activities program revenues	2,004,161	2,013,038	1,946,859	1,879,369	1,958,361	2,013,563
Total primary government program revenues	$ 3,135,364	$ 3,202,097	$ 3,121,438	$ 3,085,314	$ 3,199,432	$ 3,521,076
Net (expenses)/revenue						
Governmental activities	$(1,379,198)	$(1,462,591)	$(1,620,222)	$(1,434,236)	$(1,391,864)	$(1,438,656)
Business-type activities	8,633	(170,047)	(381,849)	(502,330)	(511,110)	(511,076)
Total primary government net expenses	$(1,370,565)	$(1,632,638)	$(2,002,071)	$(1,936,566)	$(1,902,974)	$(1,949,732)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

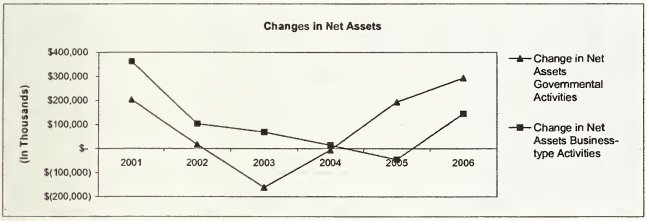
CHANGES IN NET ASSETS (Continued)

Last Six Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year					
	2001 [1]	2002 [2]	2003 [3]	2004	2005	2006
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	$ 628,846	$ 697,703	$ 686,858	$ 723,786	$ 920,314	$ 1,016,220
Business taxes	277,822	274,848	276,651	264,832	292,763	323,153
Other local taxes	581,480	444,590	450,677	509,455	538,085	595,664
Interest and investment income	81,084	70,597	26,332	11,856	29,490	71,129
Other	115,695	115,943	196,496	170,163	47,153	56,022
Transfers - internal activities of primary government	(102,154)	(124,399)	(178,991)	(251,937)	(241,600)	(329,996)
Total governmental activities	1,582,773	1,479,282	1,458,023	1,428,155	1,586,205	1,732,192
Business-type activities:						
Interest and investment income	96,493	63,530	50,215	17,620	33,268	53,161
Other	28,779	85,425	188,446	237,692	237,102	272,873
Special item	126,014	-	33,000	9,245	(46,358)	-
Transfers - internal activities of primary government	102,154	124,399	178,991	251,937	241,600	329,996
Total business-type activities	353,440	273,354	450,652	516,494	465,612	656,030
Total primary government	$ 1,936,213	$ 1,752,636	$ 1,908,675	$ 1,944,649	$ 2,051,817	$ 2,388,222
Change in Net Assets						
Governmental activities	$ 203,575	$ 16,691	$ (162,199)	$ (6,081)	$ 194,341	$ 293,536
Business-type activities	362,073	103,307	68,803	14,164	(45,498)	144,954
Total primary government	$ 565,648	$ 119,998	$ (93,396)	$ 8,083	$ 148,843	$ 438,490



Notes:

(1) Trend data is only available for the last six fiscal years due to the implementation of GASB Statement 34 in fiscal year 2000-2001.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities.

CITY AND COUNTY OF SAN FRANCISCO

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	1997	1998	1999	2000 [1]	2001	2002 [2]	2003 [3]	2004 [4]	2005 [5]	2006
General Fund										
Reserved by charter for cash and emergency requirements	$ 69,656	$ 74,230	$ 80,076	$ 88,125	$ 97,491	$ 97,491	$ 59,337	$ -	$ -	$ -
Reserved for rainy day	-	-	-	-	-	-	-	55,139	48,139	121,976
Reserved for assets not available for appropriation	4,399	4,978	5,163	5,576	6,089	6,406	6,788	7,142	9,031	10,710
Reserved for encumbrances	45,668	49,707	43,602	32,808	37,743	52,735	43,195	42,501	57,762	38,159
Reserved for appropriation carryforward	31,877	40,253	50,284	74,051	77,060	61,716	26,880	35,754	38,198	124,009
Reserved for subsequent years' budgets	8,950	7,121	26,013	29,990	53,337	25,379	15,414	6,242	22,351	27,451
Unreserved	(11,900)	44,261	35,725	45,090	207,467	136,664	44,718	63,657	134,199	138,971
Total general fund	$ 148,650	$ 220,550	$ 240,863	$ 275,640	$ 479,187	$ 380,391	$ 196,312	$ 210,435	$ 307,680	$ 481,276
All other governmental funds										
Reserved for assets not available for appropriation	$ 60,419	$ 74,425	$ 54,054	$ 72,433	$ 51,548	$ 41,233	$ 25,906	$ 17,443	$ 17,683	$ 20,202
Reserved for debt service	24,734	28,676	34,785	27,694	63,308	38,548	33,866	18,800	45,540	57,429
Reserved for encumbrances	149,213	324,240	332,258	267,168	373,088	340,591	278,656	142,784	97,920	423,120
Reserved for appropriation carryforward	473,007	355,179	282,711	330,687	446,211	285,508	227,818	287,690	549,571	294,340
Reserved for subsequent years' budgets	-	-	1,660	3,520	9,664	18,604	8,004	8,005	8,004	8,004
Unreserved reported in:										
Special revenue funds	71,945	58,731	48,119	40,790	54,018	97,167	67,988	19,043	30,809	35,243
Capital projects funds	28,358	17,730	32,658	44,729	11,629	44,487	40,561	10,048	7,193	13,662
Permanent fund	-	-	-	-	4,064	4,433	4,227	3,326	3,856	2,308
Fiduciary funds	3,891	3,755	3,576	5,083	-	-	-	-	-	-
Total other governmental funds	$ 811,567	$ 862,736	$ 789,821	$ 792,104	$ 1,013,530	$ 868,571	$ 687,028	$ 507,139	$ 760,576	$ 854,308

Notes:

(1) Through fiscal year 1999-2000, Expendable Trust Funds were reported as part of Fiduciary Fund Types. Due to the implementation of GASB Statement 34 in fiscal year 2000-2001, Expendable Trust Funds were reported as Special Revenue and Permanent Fund Types.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities.

(4) The City's Charter was amended in November 2003 and replaced the requirements for a cash requirement reserve and an emergency reserve with the rainy day reserve.

(5) The change in reserved and unreserved fund balance in fiscal year 2005-2006 is explained in Management's Discussion and Analysis.

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	1997	1998	1999	2000 [1]	2001 [2]	2002 [3]	2003 [4]	2004	2005 [5]	2006
Revenues:										
Property taxes	$ 438,250	$ 479,912	$ 527,176	$ 544,210	$ 627,654	$ 687,150	$ 686,154	$ 721,437	$ 918,645	$ 1,008,151
Business taxes	201,210	223,647	229,905	267,918	277,822	274,848	276,651	264,832	292,763	323,153
Other local taxes	413,935	445,628	481,362	547,470	581,480	444,590	450,677	509,455	538,085	595,664
Licenses, permits and franchises	18,186	18,564	20,685	21,025	23,503	25,762	21,648	23,788	25,942	27,662
Fines, forfeitures and penalties	3,968	6,103	19,800	12,658	12,773	12,045	9,000	25,183	12,509	14,449
Interest and investment income	62,775	76,674	56,023	60,542	91,429	65,597	25,570	11,630	28,268	70,046
Rent and concessions	60,431	65,701	61,516	72,948	75,382	63,623	55,369	58,979	49,450	52,426
Intergovernmental:										
Federal	232,953	249,860	260,696	288,537	296,758	307,943	320,254	344,155	348,764	350,985
State	450,158	479,001	468,968	555,750	575,361	608,804	690,271	630,953	522,937	565,989
Other	535	195	2,562	4,695	6,245	33,924	24,623	18,259	25,783	23,500
Charges for services	136,405	167,658	161,689	186,733	215,412	225,547	221,883	217,647	241,750	263,994
Other	21,874	15,384	22,577	18,834	31,119	26,405	27,092	57,144	57,487	61,565
Total revenues	2,040,680	2,228,327	2,312,959	2,581,320	2,814,938	2,776,238	2,809,192	2,883,462	3,062,383	3,357,584
Expenditures										
Public protection	529,339	617,756	592,833	632,737	672,119	690,050	734,811	706,758	738,494	787,398
Public works, transportation and commerce	143,081	134,601	169,514	231,991	299,949	296,411	267,034	165,555	195,896	274,669
Human welfare and neighborhood development	384,962	415,636	522,487	515,007	557,242	613,133	670,670	662,948	644,899	697,102
Community health	390,649	430,501	455,162	434,386	454,975	484,826	524,771	512,914	501,050	471,741
Culture and recreation	184,377	189,743	266,879	204,081	233,863	238,326	252,477	273,163	239,022	256,979
General administration and finance	147,359	149,709	174,930	174,999	150,482	164,745	163,748	153,709	135,118	161,195
General City responsibilities	-	-	-	45,194	109,753	54,628	53,323	74,623	62,799	53,763
Debt service:										
Principal retirement	41,100	67,535	52,715	63,596	69,870	69,536	100,902	78,831	80,306	86,970
Interest and fiscal charges	57,916	48,017	56,823	60,650	68,367	68,111	64,243	61,886	61,524	75,975
Bond issuance costs	-	-	-	-	7,368	2,987	1,646	1,350	4,842	1,933
Capital outlay	220,331	218,401	244,070	188,793	170,472	276,662	248,928	165,872	130,224	153,493
Total expenditures	2,099,114	2,271,899	2,535,413	2,551,434	2,794,460	2,959,415	3,082,553	2,857,609	2,794,174	3,021,218
Excess (deficiency) of revenues over expenditures	(58,434)	(43,572)	(222,454)	29,886	20,478	(183,177)	(273,361)	25,853	268,209	336,366

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	1997	1998	1999	2000 [1]	2001 [2]	2002 [3]	2003 [4]	2004	2005 [5]	2006
Other financing sources (uses):										
Transfer in	211,913	297,031	275,205	340,880	261,957	267,107	226,520	204,660	271,553	224,523
Transfer out	(191,722)	(254,228)	(290,639)	(428,615)	(365,178)	(536,680)	(423,936)	(456,852)	(513,423)	(555,155)
Issuance of bonds and loans:										
Face value of bonds issued	112,108	574,542	200,450	94,909	394,040	249,995	71,310	116,645	346,225	219,120
Face value of loans issued	-	-	-	-	803	3,095	323	2,156	500	5,359
Premium on issuance of bonds	-	-	-	-	(2,773)	(238)	-	1,411	11,989	10,233
Payment to refunded bond escrow agent	(42,300)	(450,941)	(28,229)	-	-	(136,230)	-	(65,802)	(38,913)	-
Other financing sources - capital leases	-	237	-	-	-	92,373	33,520	6,165	4,542	6,882
Total other financing sources (uses)	89,999	166,641	156,787	7,174	288,849	(60,578)	(92,263)	(191,617)	82,473	(89,038)
Net change in fund balances	$ 31,565	$ 123,069	$ (65,667)	$ 37,060	$ 309,327	$ (243,755)	$ (365,624)	$ (165,764)	$ 350,682	$ 247,328
Debt service as a percentage of noncapital expenditures	5.27%	5.63%	4.78%	5.26%	5.55%	5.24%	5.89%	5.28%	5.51%	5.75%
Debt service as a percentage of total expenditures	4.72%	5.09%	4.32%	4.87%	5.21%	4.75%	5.41%	4.97%	5.25%	5.46%

Notes:

(1) Through fiscal year 1999-2000, Expendable Trust Funds were reported as part of Fiduciary Fund Types. Due to the implementation of GASB Statement 34 in fiscal year 2000-2001, Expendable Trust Funds were reported as Special Revenue and Permanent Fund Types.

(2) Prior to fiscal year 2000-2001, bond issuance discounts and premiums were included in the face values of bonds issued.

(3) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(4) For General Obligation Bonds authorized and issued prior to the passage of Proposition 39 in 2003, transfer of the proceeds to San Francisco Community College District and San Francisco Unified School District was included as Human Welfare & Neighborhood Development expenditures.

(5) Prior to fiscal year 2004-2005, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-2005, they were recorded as transfers.

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY [1][3][4]

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Assessed Value			Exemptions [2]			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Total	Non-reimbursable	Reimbursable	Redevelopment Tax Increments		
1997 [3]	$56,956,168	$2,680,912	$59,637,080	$2,260,394	$663,199	$3,126,655	$53,586,832	1.00%
1998 [3]	59,010,846	2,585,594	61,596,440	2,331,980	668,877	3,343,618	55,251,965	1.00%
1999 [4]	61,700,799	4,010,092	65,710,891	2,663,293	668,010	2,672,017	59,707,571	1.00%
2000 [4]	66,859,683	4,384,155	71,243,838	2,783,904	666,747	2,844,489	64,948,698	1.00%
2001 [4]	73,712,384	7,807,032	81,519,416	2,800,943	670,468	3,175,792	74,872,213	1.00%
2002 [4]	88,866,299	4,686,951	93,553,250	3,129,961	665,145	5,291,437	84,466,707	1.00%
2003 [4]	93,467,166	4,639,579	98,106,745	3,407,736	671,640	3,777,328	90,250,041	1.00%
2004 [4]	99,878,960	3,848,851	103,727,811	3,706,357	689,558	3,892,143	95,439,753	1.00%
2005 [4]	106,805,910	3,736,998	110,542,908	4,017,052	678,120	5,199,856	100,647,880	1.00%
2006 [4]	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%

Source:
Controller, City and County of San Francisco

Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
  (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
  (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
  (c) Tax increments are allocations made to the San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the Redevelopment Agency.
(3) Based on certified assessed values.
(4) Based on year end actual assessed values.

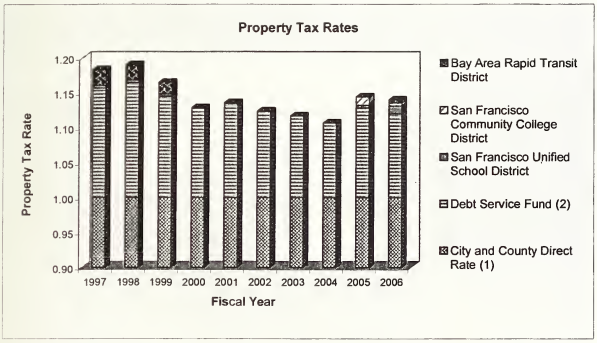
CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate Per $1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate [1]	Overlapping Rates: Debt Service Fund [2]	Overlapping Rates: San Francisco Unified School District	Overlapping Rates: San Francisco Community College District	Overlapping Rates: Bay Area Rapid Transit District	Total
1997	$ 1.00000000	$ 0.15637530	$ 0.00412470	$ -	$ 0.02250000	$ 1.1830
1998	1.00000000	0.16430174	0.00369826	-	0.02200000	1.1900
1999	1.00000000	0.14493925	0.00338075	-	0.01668000	1.1650
2000	1.00000000	0.12766122	0.00133878	-	-	1.1290
2001	1.00000000	0.13481356	0.00118644	-	-	1.1360
2002	1.00000000	0.12359506	0.00040494	-	-	1.1240
2003	1.00000000	0.11671113	0.00028887	-	-	1.1170
2004	1.00000000	0.10682335	0.00017665	-	-	1.1070
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400



Notes:

(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL PROPERTY ASSESSEES

Current Fiscal Year and Nine Fiscal Years Ago

(In Thousands)

		Fiscal Year 2006			Fiscal Year 1997		
Assessee	Type of Business	Taxable Assessed Value [1]	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value [2][3]
Embarcadero Center Venture	Office, Commercial	$ 1,224,728	1	1.15%	$ 494,773	4	0.92%
Pacific Gas & Electric Company	Utilities	1,094,861	2	1.02	984,202	1	1.84
555 California Street Partners	Office, Commercial	795,000	3	0.74	562,090	3	1.05
EOP - One Market LLC	Office, Commercial	424,443	4	0.40	-		-
Marriott Hotel	Hotel	389,795	5	0.36	280,027	5	0.52
Post-Montgomery Associates	Office, Commercial	389,743	6	0.36	-		-
China Basin Ballpark Company LLC	Possessory Interest Stadium	383,007	7	0.36	-		-
Olympic View Realty LLC (Park Merced)	Apartment	342,426	8	0.32	-		-
SBC California (Formerly Pacific Bell)	Utilities	337,477	9	0.32	860,711	2	1.61
101 California Venture	Office, Commercial	281,980	10	0.26	234,000	7	0.44
ZML One Market Ltd Partnership	Office, Commercial				238,619	6	0.45
Viacom Cablevision	Cable TV, Possessory Interest, Personal Property				231,700	8	0.43
San Francisco Hilton Joint Venture	Hotel				211,888	9	0.40
L & B - 333 Bush Joint Venture	Office, Commercial				180,007	10	0.34
Total		$ 5,663,459		5.29%	$4,278,017		8.00%

Source: Assessor, City and County of San Francisco

Notes:
(1) Data for fiscal year 2005-2006 updated as of June 5, 2006.
(2) Assessed values for fiscal years 2005-2006 and 1996-1997 are from the tax rolls of calendar years 2005 and 1996, respectively.
(3) Reflects revised calculations due to GASB 44 implementation.

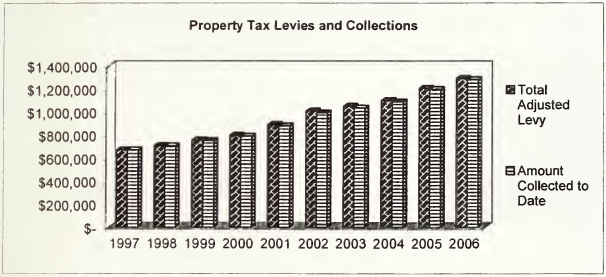
CITY AND COUNTY OF SAN FRANCISCO

PROPERTY TAX LEVIES AND COLLECTIONS [1][2]

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years [3]	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
1997	$ 671,657	$ 658,300	98.01%	$ 13,556	$ 671,856	100.03%
1998	709,852	697,755	98.30	8,917	706,672	99.55
1999	757,899	742,774	98.00	8,719	751,493	99.15
2000	799,385	784,984	98.20	6,153	791,137	98.97
2001	892,675	877,170	98.26	3,526	880,696	98.66
2002	1,010,960	985,838	97.52	7,366	993,204	98.24
2003	1,051,921	1,028,649	97.79	5,766	1,034,415	98.34
2004	1,100,951	1,079,354	98.04	9,092	1,088,446	98.86
2005	1,208,044	1,179,959	97.68	18,010	1,197,969	99.17
2006	1,291,491	1,263,396	97.82	17,524	1,280,920	99.18



Source: Controller, City and County of San Francisco

Notes:

(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District and San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

(3) Collections in subsequent years reflect assessment appeals reduction.

CITY AND COUNTY OF SAN FRANCISCO

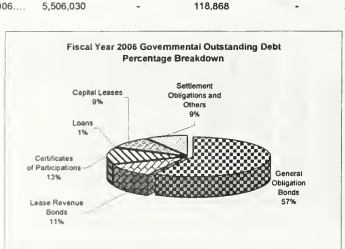
RATIOS OF OUTSTANDING DEBT BY TYPE

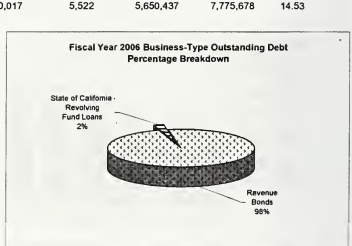
Last Ten Fiscal Years

(In Thousands, except per capita amount)

	Governmental Activities						
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations	Loans	Capital Leases	Settlement Obligations and Others [1] [3]	Subtotal
1997.....	$ 758,985	$ 77,690	$ 89,492	$ 277	$ 1,795	$ -	$ 928,239
1998.....	807,300	111,935	89,456	256	3,787	-	1,012,734
1999.....	886,260	157,585	86,617	9,385	3,299	-	1,143,146
2000.....	911,625	151,165	91,926	17,313	2,507	-	1,174,536
2001.....	953,535	302,405	225,707	15,816	232,485	-	1,729,948
2002.....	917,220	293,810	259,360	13,007	226,541	54,820	1,764,758
2003.....	859,625	252,035	296,135	9,278	212,649	49,470	1,679,192
2004.....	844,350	245,680	290,635	9,515	194,815	94,275	1,679,270
2005.....	1,086,355	230,620	283,320	7,961	198,703	188,670	1,995,629
2006.....	1,232,205	231,265	276,160	12,377	190,279	182,955	2,125,241

	Business-Type Activities [1] [2]									
Fiscal Year	Revenue Bonds	General Obligation Bonds	State of California - Revolving Fund Loans	Commercial Paper	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income [4]	Per Capita [4]
1997....	$ 2,815,169	$ 21,085	$ 183,921	$ -	$ 2,161	$ 5,798	$ 3,028,134	$ 3,956,373	12.32%	$ 5,279
1998....	3,428,048	13,915	178,604	103,065	13,521	4,610	3,741,763	4,754,497	13.55	6,271
1999....	4,116,131	6,430	167,730	199,775	11,492	2,137	4,503,695	5,646,841	14.39	7,367
2000....	4,316,452	4,400	180,295	271,650	10,628	1,888	4,785,313	5,959,849	13.47	7,631
2001....	4,501,515	3,200	193,597	472,541	12,267	779	5,183,899	6,913,847	15.61	8,788
2002....	5,177,760	2,000	179,591	90,000	4,076	1,342	5,454,769	7,219,527	16.73	9,129
2003....	5,284,535	800	165,125	-	29,592	4,210	5,484,262	7,163,454	16.24	9,045
2004....	5,167,405	400	150,196	25,000	27,280	4,891	5,375,172	7,054,442	14.98	8,909
2005....	5,084,426	-	134,783	80,000	24,529	4,754	5,328,492	7,324,121	14.51	9,214
2006....	5,506,030	-	118,868	-	20,017	5,522	5,650,437	7,775,678	14.53	9,736





Notes:

(1) Through fiscal year 1999-2000, business-type revenue bonds were reported net of deferred amount on discount and unamortized bond premium. Upon the implementation of GASB 34 in fiscal year 2000-2001, business type revenue bonds excluded deferred amount on refunding and unamortized bond premium.

(2) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities.

(3) Includes commercial paper issued in fiscal years 2003-2004 and 2004-2005 for San Francisco County Transportation Authority.

(4) See Demographic and Economic Statistics, page 198, for personal income and population data.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds [1]	Less: Amounts Restricted for Debt Service [1]	Total	Per Capita [2]
1997	$ 758,985	$ 520	$ 758,465	$ 1,012
1998	807,300	5,151	802,149	1,058
1999	886,260	10,323	875,937	1,143
2000	911,625	6,168	905,457	1,159
2001	953,535	14,809	938,726	1,193
2002	917,220	20,395	896,825	1,134
2003	859,625	13,304	846,321	1,069
2004	844,350	1,533	842,817	1,064
2005	1,086,355	33,774	1,052,581	1,324
2006	1,232,205	46,929	1,185,276	1,484

Notes:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) Population data can be found in Demographic and Economic Statistics, page 198.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(In Thousands)

	1997	1998	1999	2000	2001
Debt limit	$ 1,721,301	$ 1,777,934	$ 1,940,012	$ 2,053,798	$ 2,361,554
Total net debt applicable to limit	758,985	807,300	886,260	911,625	953,535
Legal debt margin	$ 962,316	$ 970,634	$ 1,053,752	$ 1,142,173	$ 1,408,019
Total net debt applicable to the limit as a percentage of debt limit	44.09%	45.41%	45.68%	44.39%	40.38%

	2002	2003	2004	2005	2006
Debt limit	$ 2,712,699	$ 2,840,970	$ 3,000,644	$ 3,195,776	$ 3,419,607
Total net debt applicable to limit	917,220	859,625	844,350	1,086,355	1,232,205
Legal debt margin	$ 1,795,479	$ 1,981,345	$ 2,156,294	$ 2,109,421	$ 2,187,402
Total net debt applicable to the limit as a percentage of debt limit	33.81%	30.26%	28.14%	33.99%	36.03%

Legal Debt Margin Calculation for Fiscal Year 2006

Total assessed value	$	118,233,004
Less: non-reimbursable exemptions [1]		4,246,112
Assessed value [1]	$	113,986,892
Debt limit (three percent of valuation subject to taxation [2])	$	3,419,607
Debt applicable to limit:		
Less: general obligation bonds		1,232,205
Legal debt margin	$	2,187,402

Source:

(1) Assessor, City and County of San Francisco

Note:

(2) City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING DEBT

June 30, 2006

District	Total General Debt Outstanding	Estimated Percentage Applicable to City and County [1]	Estimated Share of Overlapping Debt
Bay Area Rapid Transit District	$ 87,185,000	29.00%	$ 25,283,650
San Francisco Unified School District	180,445,000	100.00	180,445,000
San Francisco Community College District	272,480,000	100.00	272,480,000
Subtotal, overlapping debt			478,208,650
City and County of San Francisco direct debt			1,232,205,000
Total net direct and overlapping debt			$ 1,710,413,650
Population - 2006 [2]			798,680
			$ 2,141.55

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the district's boundaries and dividing it by the City's total taxable assessed value.

(2) Source: Department of Finance, State of California

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(In Thousands)

San Francisco International Airport [1]

Fiscal Year	Operating Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1997	$ 264,851	$ 149,884	$ 114,967	$ 14,530	$ 61,921	$ 76,451	1.50
1998	295,150	165,929	129,221	15,520	68,956	84,476	1.53
1999	340,646	189,017	151,629	18,250	93,596	111,846	1.36
2000	403,281	197,175	206,106	19,835	136,413	156,248	1.32
2001	463,488	261,061	202,427	21,215	177,800	199,015	1.02
2002	496,688	266,299	230,389	27,290	213,663	240,953	0.96
2003	533,253	295,672	237,581	52,260	224,364	276,624	0.86
2004	493,682	235,765	257,917	70,630	221,208	291,838	0.88
2005	496,485	253,931	242,554	78,555	207,430	285,985	0.85
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Resolution which authorized the sale and issuance of these bonds.

(2) Operating revenues consist of Airport operating revenues and interest and investment income.

(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation or amortization.

San Francisco Water Department [4]

Fiscal Year	Gross Revenues [5]	Less: Operating Expenses [6]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1997	$ 130,973	$ 91,477	$ 39,496	$ 9,225	$ 10,928	$ 20,153	1.96
1998	129,461	82,075	47,386	103,235	17,168	120,403	0.39
1999	138,576	105,494	33,082	6,440	13,918	20,358	1.63
2000	144,220	126,432	17,788	7,415	14,012	21,427	0.83
2001	149,917	127,707	22,210	6,956	14,411	21,367	1.04
2002	147,216	122,521	24,695	7,350	18,686	26,036	0.95
2003	170,253	136,093	34,160	11,789	21,655	33,444	1.02
2004	168,260	152,268	15,992	13,345	24,056	37,401	0.43
2005	184,835	136,341	48,494	14,055	23,658	37,713	1.29
2006	201,833	145,057	56,776	123,085	20,585	143,670	0.40

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(5) Gross revenue consists of charges for services, rental income and other income.

(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest, depreciation or amortization.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges [7]	Less: Operating Expenses [8][9]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1997	$ 13,670	$ 4,060	$ 9,610	$ 455	$ 1,699	$ 2,154	4.46
1998	12,938	4,850	8,088	480	1,668	2,148	3.77
1999	13,217	3,131	10,086	505	1,635	2,140	4.71
2000	13,906	4,768	9,138	1,240	1,552	2,792	3.27
2001	13,759	4,642	9,117	1,390	1,459	2,849	3.20
2002	13,354	5,351	8,003	1,440	1,437	2,877	2.78
2003	15,633	6,227	9,406	3,274	2,312	5,586	1.68
2004	25,604	10,430	15,174	4,943	2,854	7,797	1.95
2005	25,623	14,071	11,552	5,193	2,582	7,775	1.49
2006	31,116	14,960	16,156	5,471	2,317	7,788	2.07

(7) The Parking Authority leased North Beach, Moscone, and San Francisco General Hospital garages to the City. In return, the City pledged to pay off the debt service with its base (lease) rental payment. Gross Meter Revenue consists of revenues from all meters in San Francisco except the meters on Port and Airport properties.

(8) The annual budget for the Parking Program includes the Parking Authority that manages garages and the Parking Meter Program that maintains meters. The operating expense is the year-end total expenditures net of all debt service payments

(9) Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses related to the pledged revenue stream do not include interest, depreciation or amortization expenses.

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years

(In Thousands)

San Francisco Wastewater Enterprise [10]

Fiscal Year	Gross Revenues [11]	Less: Operating Expenses [12]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1997	$ 140,539	$ 62,908	$ 77,631	$ 25,905	$ 36,320	$ 62,225	1.25
1998	140,898	71,943	68,955	32,027	35,262	67,289	1.02
1999	142,974	71,985	70,989	33,864	34,965	68,829	1.03
2000	145,495	77,104	68,391	31,845	32,395	64,240	1.06
2001	141,770	79,902	61,868	35,270	31,109	66,379	0.93
2002	134,595	90,642	43,953	66,006	30,604	96,610	0.45
2003	134,745	90,808	43,937	69,871	15,820	85,691	0.51
2004	137,806	91,822	45,984	14,929	23,709	38,638	1.19
2005	148,888	101,490	47,398	15,413	21,937	37,350	1.27
2006	164,703	103,726	60,977	15,915	21,438	37,353	1.63

(10) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(11) Gross revenue consists of charges for services, rental income and other income.
(12) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest, depreciation or amortization.

Port of San Francisco [13]

Fiscal Year	Total Operating Revenues [14]	Less: Operating Expenses [15]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1997	$ 39,191	$ 24,327	$ 14,864	$ 2,565	$ 2,857	$ 5,422	2.74
1998	40,947	24,431	16,516	2,675	2,740	5,415	3.05
1999	45,428	27,111	18,317	2,800	2,614	5,414	3.38
2000	49,127	29,052	20,075	2,930	2,472	5,402	3.72
2001	54,453	37,129	17,324	3,085	2,318	5,403	3.21
2002	53,740	47,759	5,981	3,235	2,156	5,391	1.11
2003	56,241	50,103	6,138	3,405	1,976	5,381	1.14
2004	57,782	49,707	8,075	3,595	1,719	5,314	1.52
2005	59,217	43,786	15,431	3,920	1,012	4,932	3.13
2006	61,581	44,893	16,688	3,390	554	3,944	4.23

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(14) Total revenues consist of operating revenues and interest and investment income.
(15) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs. For fiscal years 1996-1997, 1997-1998 and 1998-1999 operating expenses, as presented above, includes the debt service obligation of the State of California General Obligation Bonds of $314, $302, and $291, respectively. The State General Obligation Bonds were fully paid in fiscal year 1998-1999.

Total Business-type Activities

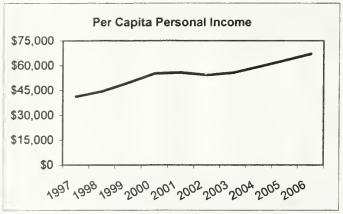
Fiscal Year	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1997	$ 589,224	$ 332,656	$ 256,568	$ 52,680	$ 113,725	$ 166,405	1.54
1998	619,394	349,228	270,166	153,937	125,794	279,731	0.97
1999	680,841	396,738	284,103	61,859	146,728	208,587	1.36
2000	756,029	434,531	321,498	63,265	186,844	250,109	1.29
2001	823,387	510,441	312,946	67,916	227,097	295,013	1.06
2002	845,593	532,572	313,021	105,321	266,546	371,867	0.84
2003	910,125	578,903	331,222	140,599	266,127	406,726	0.81
2004	883,134	539,992	343,142	107,442	273,546	380,988	0.90
2005	915,048	549,619	365,429	117,136	256,619	373,755	0.98
2006	939,906	576,023	363,883	226,986	244,313	471,299	0.77

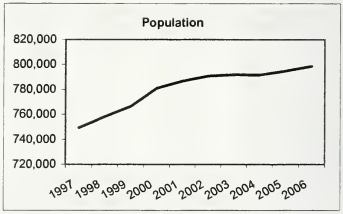
CITY AND COUNTY OF SAN FRANCISCO

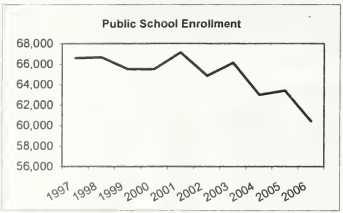
DEMOGRAPHIC AND ECONOMIC STATISTICS

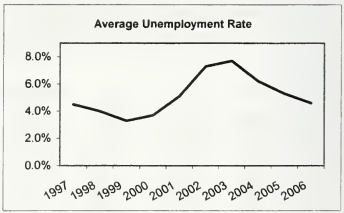
Last Ten Fiscal Years

Fiscal Year	Population [1]	Personal Income (In Thousands)	Per Capita Personal Income [2]	Median Age [3]	Public School Enrollment [4]	Average Unemployment Rate [5]
1997	749,406	$ 32,119,739	$ 41,290	37.8	66,604	4.5%
1998	758,210	35,093,406	44,518	37.9	66,679	4.0%
1999	766,471	39,232,364	49,695	38.7	65,540	3.3%
2000	780,974	44,251,095	55,272	39.1	65,519	3.7%
2001	786,719	44,287,708	55,816	37.3	67,152	5.1%
2002	790,846	43,147,238	54,369	38.3	64,870	7.3%
2003	791,977	44,107,952	55,720	38.3	66,141	7.7%
2004	791,797	47,084,795	59,398	39.2	63,009	6.2%
2005	794,850	50,465,466	63,140	39.4	63,421	5.3%
2006	798,680	53,513,713	67,064	N/A	60,450	4.6%









Sources:

(1) Data reflects the annual revisions by the State of California Department of Finance.

(2) State of California Employment Development Department.

(3) 2005 American Community Survey. N/A = Information is not available.

(4) San Francisco Unified School District (includes Child Center, Juvenile Center, etc.).

(5) Data reflects the annual revisions by the State of California Employment Development Department.

CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL EMPLOYERS

Current Year and Four Years Ago

	Year 2005 [1]			Year 2001		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco	28,253	1	6.71%	29,610	1	5.85%
University of California, San Francisco	19,138	2	4.55	13,835	2	2.95
Wells Fargo & Co	7,581	3	1.80	6,366	5	1.36
San Francisco Unified School District	7,241	4	1.72	11,296	3	2.41
State of California	6,115	5	1.45	-	-	-
United States Postal Service	5,234	6	1.24	5,579	6	1.19
California Pacific Medical Center	5,000	7	1.19	4,500	10	0.96
PG&E Corporation	4,629	8	1.10	5,000	8	1.07
Gap, Inc.	4,180	9	0.99	-	-	-
Kaiser Permanente	3,860	10	0.92	-	-	-
AT&T	-	-	-	5,200	7	1.11
SBC Communications	-	-	-	4,600	9	0.98
Charles Schwab & Co. Inc.	-	-	-	9,873	4	2.10
Total	91,231		21.67%	95,859		19.98%

Source: City and County of San Francisco employee count is obtained from the City's Controller's Office, based on fiscal year ending June 30, 2006 and June 30, 2001. All other data is obtained from San Francisco Business Times Book of Lists.

Note:

(1) The latest data as of calendar year 2005 is presented.

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION[1]

	Fiscal Year						
Function	2000	2001	2002	2003	2004	2005	2006
Public Protection							
Fire Department	1,856	1,864	1,909	1,899	1,835	1,752	1,706
Police	2,742	2,785	2,748	2,688	2,669	2,616	2,664
Sheriff	896	892	921	920	937	929	944
Other	1,013	1,013	998	982	954	930	958
Total Public Protection	6,507	6,554	6,576	6,489	6,395	6,227	6,272
Public Works, Transportation and Commerce							
Municipal Transportation Agency	4,406	4,525	4,629	4,569	4,518	4,386	4,232
Airport Commission	1,517	1,578	1,537	1,306	1,214	1,203	1,248
Department of Public Works	1,004	1,065	1,081	1,077	1,053	1,059	1,035
Public Utilities Commission	1,376	1,404	1,411	1,513	1,589	1,513	1,573
Other	516	537	569	546	507	505	532
Total Public Works, Transportation and Commerce	8,819	9,109	9,227	9,011	8,881	8,666	8,620
Community Health							
Public Health	6,133	6,068	6,192	6,309	6,093	5,928	5,956
Total Community Health	6,133	6,068	6,192	6,309	6,093	5,928	5,956
Human Welfare and Neighborhood Development							
Human Services	1,706	1,807	1,724	1,744	1,735	1,697	1,663
Other	245	269	305	316	317	312	306
Total Human Welfare and Neighborhood Development	1,951	2,076	2,029	2,060	2,052	2,009	1,969
Culture and Recreation							
Recreation and Park Commission	1,010	998	1,014	976	1,001	954	916
Public Library	594	599	612	613	617	616	606
War Memorial	94	94	94	95	95	96	95
Other	124	120	130	149	156	149	200
Total Culture and Recreation	1,822	1,811	1,850	1,833	1,869	1,815	1,817
General Administration and Finance							
Administrative Services	417	426	420	401	405	383	378
City Attorney	316	334	329	321	319	308	321
Telecommunications and Information Services	314	352	333	324	313	276	261
Controller	161	165	156	155	141	170	179
Human Resources	209	211	215	213	188	172	151
Treasurer/Tax Collector	183	182	184	185	192	197	199
Mayor	145	77	75	72	56	51	48
Other	455	467	470	466	466	454	491
Total General Administration and Finance	2,200	2,214	2,182	2,137	2,080	2,011	2,028
General City Responsibility	-	2	3	4	4	4	3
Subtotal annually funded positions	27,432	27,834	28,059	27,843	27,374	26,660	26,665
Capital project funded positions	848	1,776	1,857	1,875	1,567	1,597	1,588
Total annually funded positions	28,280	29,610	29,916	29,718	28,941	28,257	28,253

Source: Controller, City and County of San Francisco

Note:

(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Function	Fiscal Year 2001	2002	2003	2004	2005	2006
Public Protection						
Fire and Emergency Communications						
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	N/A	N/A	N/A	8:09	7:59	8:01
Police						
Median time from dispatch to arrival on scene for highest priority calls	2:34	2:36	2:45	2:58	3:07	3:09
Number of homicides per 100,000 population	N/A	N/A	N/A	10.8	9.8	12.8
Percentage of San Franciscans who report feeling safe or very safe crossing the street	34%	42%	45%	45%	50%	N/A
Public Works, Transportation, and Commerce						
General Services Agency - Public Works						
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good	38%	44%	N/A	52%	49%	N/A
Number of blocks of City streets repaved	252	324	292	154	186	267
Municipal Transportation Agency						
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	2.70	2.92	3.21	3.20	3.09	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points	55.4%	71.9%	70.9%	68.3%	70.7%	69.2%
Percentage of scheduled service hours delivered	94.4%	97.8%	96.5%	97.2%	95.3%	92.7%
Airport						
Percent change in air passenger volume	-3.6%	-20.1%	-5.9%	5.3%	5.5%	1.5%
Human Welfare and Neighborhood Development						
Environment						
Percentage of total solid waste materials diverted in a calendar year	42%	46%	52%	63%	67%	67%
Culture and Recreation						
Recreation and Park						
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good	65%	64%	67%	67%	62%	N/A
Citywide percentage of park maintenance standards met for all parks inspected	N/A	N/A	N/A	N/A	N/A	83%
Public Library						
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	76%	77%	79%	81%	76%	N/A
Circulation of materials at San Francisco libraries	5,409,585	6,259,092	6,793,335	6,755,843	7,279,926	7,459,821
Asian and Fine Arts Museums						
Number of visitors to City-owned art museums [1]	962,090	453,117	727,437	763,242	696,271	1,546,617

Source: Controller, City and County of San Francisco

Notes:

(1) Construction was completed for the new de Young Museum by the end of fiscal year 2004-2005, and the museum opened in October 2005.

N/A = Information is not available

CITY AND COUNTY OF SAN FRANCISCO

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police protection (1)										
Number of stations	10	10	10	10	11	11	11	10	10	10
Number of police officers	2,002	2,167	2,180	2,229	2,321	2,449	2,388	2,170	2,180	2,070
Fire protection (2)										
Number of stations	41	41	43	45	45	45	45	45	45	48
Number of firefighters	1,456	1,559	1,586	1,654	1,804	1,800	1,795	1,690	1,675	1,333
Public works										
Mile of street (3)	851	945	945	989	989	1,044	1,252	1,050	1,050	1,051
Number of streetlights (4)	40,197	40,265	40,957	41,052	41,066	42,363	41,042	41,031	41,431	41,571
Water (4)										
Number of services	173,179	164,211	164,495	171,978	174,427	174,873	175,278	165,122	175,000	176,351
Average daily consumption (million gallons)	251.0	237.9	248.7	253.2	255.3	249.4	247.0	273.9	247.0	239.4
Mile of water mains	1,483	1,483	1,483	1,440	1,520	1,520	1,503	1,455	1,475	1,485
Sewers (4)										
Mile of collecting sewers	750	750	887.5	900	900	900	903	903	903	903
Mile of transport/storage sewers	150	150	16.5	16.5	16.5	15	15	15	15	15
Recreation and cultures										
Number of parks (5)	227	227	227	227	228	230	230	209	210	220
Number of libraries (6)	27	27	27	27	27	27	27	27	27	27
Number of library volumes (million) (6)	2.4	2.4	2.1	2.1	2.2	2.2	2.3	2.1	2.4	2.6
Public school education (7)										
Attendance centers	107	117	117	116	116	113	118	118	119	117
Number of classrooms	3,300	2,698	2,698	2,698	3,200	3,428	3,418	3,439	3,434	3,390
Number of teachers, full-time equivalent	4,065	3,242	2,094	2,671	3,260	3,272	3,362	3,138	3,171	3,103
Number of students	66,604	66,679	65,540	63,895	62,569	60,421	59,521	57,805	57,144	56,236

Sources:

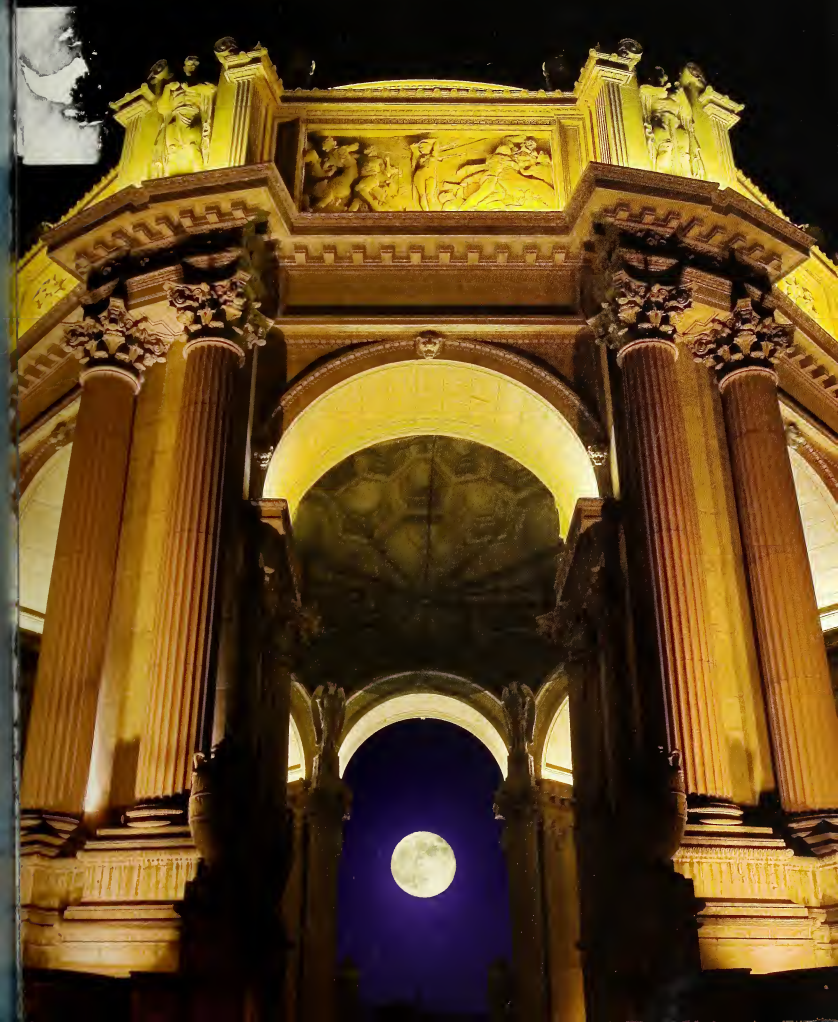
(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

City & County of San Francisco Controller's Office
San Francisco City Hall
1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102

City & County of San Francisco

Comprehensive Annual Financial Report

For the Year Ended June 30, 2007



Palace of Fine Arts

The Panama Pacific Exposition of 1915 was an event dedicated to progress, the celebration of the completion of the Panama Canal, and the rebirth of San Francisco following the disastrous 1906 earthquake. Berkeley architect Bernard Maybeck was assigned the task of designing the Palace of Fine Arts.

The Palace was the last of the major buildings of the Exposition to be started and is the sole structure to remain. The original Palace and its grounds, built of plaster and expected to last several years at most, stood for over 35 years. Efforts to preserve the Palace started as early as October, 1915 with a Fine Arts Preservation Day and continued over time with further major reconstruction between 1964 and 1972.

Currently, the Recreation and Park Department, in partnership with the non-profit Maybeck Foundation, is undertaking a $22 million restoration of the Palace of Fine Arts. Rotunda roof repair and lagoon restoration are complete; Seismic retrofit, architectural restoration and major landscape improvements are in progress.

These critical improvements will provide a safe and accessible environment for visitors, and ensure that an invaluable piece of California's history is preserved for future generations.

Credits:
San Francisco Recreation and Park Department

Photographer - Eliza Snow
Palace of Fine Arts in San Francisco

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2007

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Prepared by:
Office of the Controller

Edward Harrington
Controller

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CITY AND COUNTY OF SAN FRANCISCO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

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Introductory Section

- Controller's Letter of Transmittal
- Certificate of Achievement – Government Finance Officers Association
- City and County of San Francisco Organization Chart
- List of Principal Officials

Photo by Philip H. Coblentz, San Francisco Convention & Visitors Bureau

December 21, 2007

The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
Citizens of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the fiscal year ended June 30, 2007, with the Independent Auditor's Report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

The City is responsible for the accuracy of the data and for the completeness and fairness of its presentation. The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. I believe that the reported data is accurate in all material respects and that its presentation fairly depicts the City's financial position and changes to its financial position as measured by the financial activity of its various funds. I am confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

The City's Charter requires an annual audit of the Controller's records. The records have been audited by Macias Gini & O'Connell LLP and are presented in this CAFR. The CAFR also incorporates financial statements for San Francisco International Airport, the San Francisco Water Enterprise, Hetch Hetchy Water and Power, the Municipal Transportation Agency, the San Francisco Wastewater Enterprise, the Port of San Francisco, the City of San Francisco Market Corporation, the City and County of San Francisco Finance Corporation, the City and County of San Francisco Health Service System, the San Francisco City and County Employees' Retirement System, and the San Francisco Redevelopment Agency.

This letter of transmittal is designed to complement the Management Discussion and Analysis (MD&A) section of the CAFR. The MD&A provides a narrative overview and analysis of the Basic Financial Statements and is presented after the independent auditor's report.

Key CAFR Sections

The **Introductory Section** includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

The **Financial Section** includes the MD&A, Basic Financial Statements, notes to the Basic Financial Statements, and required supplementary information. The Basic Financial Statements include the government-wide financial statements that report on all City financial operations, including fund financial statements that present information for all City funds. The independent auditor's report on the Basic Financial Statements is also included.

The financials of several enterprise activities and of all component units of government are included in this CAFR. Some component units' financials are blended with the City's, such as: the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the San Francisco Parking Authority. The reason for this is that the primary government is financially accountable for the operations of these agencies. In other instances, namely, for the San Francisco Redevelopment Agency and the Treasure Island Development Authority, financial reporting is shown separately.

The **Statistical Section** includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB standards for reporting—Statement No. 44. This section may be of special interest to prospective investors in our bonds.

Profile of San Francisco's Government

The City and County of San Francisco was established by Charter in 1850 and is the only legal subdivision of the State of California with the governmental powers of both a city and a county. The City's legislative power is exercised through a Board of Supervisors, while its executive power is vested upon a Mayor and other appointed and elected officials. Key public services provided by the City include public safety and protection, public transportation, construction and maintenance of all public facilities, water, parks, public health systems, social services and planning. The heads of most of these departments are appointed by the Mayor and advised by commissions and boards appointed by City elected officials.

Elected officials include the Mayor, Members of the Board of Supervisors, Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer. Since November 2000, the eleven-member Board of Supervisors has been elected through district elections. The eleven district elections are staggered for five and six seats at a time, and held in even-numbered years. Board members serve four-year terms and vacancies are filled by Mayoral appointment.

San Francisco's Budgetary Process

The City adopts annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The budget is adopted at the character level of expenditure within each department, and the department level and fund is the legal level of budgetary control. Note 2(c) to the Basic Financial Statements summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

San Francisco's Economy: Strongest in Many Years

By the end of fiscal year 2006-2007 (June 30, 2007), San Francisco's economy was the healthiest it has been in several years. While the national downturn in housing prices, and associated credit crunch and macroeconomic uncertainty are genuine causes for concern, San Francisco itself has little exposure to sub-prime mortgages, and its property tax base is not materially at risk. Housing prices have continued to grow at robust levels. Compared with other areas of the state and country, San Francisco is expected to weather any downturn comparatively well.

Preliminary data indicate that the number of employed residents in San Francisco rose by 9,900 people between June 2006 and June 2007. Final annual employment data indicates that 12,200 new jobs were added in calendar year 2006. Combined with the 5,500 jobs added in 2005, San Francisco has added 17,700 new jobs in the last two years. This reversed four consecutive years of job loss from 2000 to 2004.[1] Annual average unemployment for 2006 fell to 4.2 percent in San Francisco, the lowest point since the boom year of 2000, and the year-to-date average unemployment rate through June 2007 remained at 4.2 percent.

A healthy tourism industry, significant growth in professional and financial services, and a recovering population have contributed to these positive trends. Tourism helped to improve the City's retail and hospitality sectors, which translated into greater hotel and sales tax revenues for City government.

Real estate market investing in office and housing markets continued to sustain the construction pipeline, as well as increasing property and transfer tax revenues. According to a recent report from the Urban Land Institute and PriceWaterhouseCoopers, San Francisco has the fifth-best real estate investment

[1] California Employment Development Department (EDD), Current Employment Statistics (CES) series, 10/4/2007.

market in the country, ahead of San Jose, Los Angeles, and San Diego[2]. San Francisco ranked in the top five in residential, office, and retail development, and led the nation in hotel development potential.

The national housing downturn, and relatively high levels of construction since 2004, have changed San Francisco's housing situation over the past year. From December 2005 to December 2006, the median home declined by 1 percent, from $750,000 to $745,000[3]. Over the full 2006-2007 fiscal year however, the median sales price increased by 4.4 percent, rising to $825,000 by June 2007[4]. This is partly evidence of San Francisco's strong fundamentals in housing, and partly due to the fact that higher-priced properties appear to be selling more quickly.

Key Economic Outcomes

Several important economic outcomes for San Francisco are discussed in more detail in the following sections.

Population: Clear Recovery After 2005

Since 2000, the California Department of Finance and the U.S. Census Bureau have released significantly different estimates of San Francisco's population. In 2006, for the first time since 2000, both sources indicated a rise in San Francisco's population. The Census reported that San Francisco's population stood at 744,041 as of July 1, 2006, representing a 0.4 percent increase over 2005. The California Department of Finance reported 802,651 for 2006, indicating a 0.8 percent increase over 2005.

Census data confirms the City's population has changed in economically significant ways. Very large numbers of young adults moved to San Francisco during the late 1990s, but over 50,000 people in that age group left the City between 2000 and 2004 as job growth declined. According to the Census Bureau's American Community Survey, however, this trend began to reverse itself in 2004. Between 2004 and 2006 the number of young adults in their twenties in San Francisco rose by over 6,400.

Employment: One of the Nation's Fastest-Growing Counties

The wage and salary employment base of San Francisco grew by over 12,200 jobs during calendar year (CY) 2006, from 508,400 to 520,600[5]. This 2.4 percent growth is the fastest rate of job increase since 1999-2000, and ranked San Francisco 87th in job growth among over 3,000 U.S. counties. Of particular note, San Francisco's recent job growth rate surpassed Santa Clara, Alameda, and Contra Costa counties within the Bay Area.

Unemployment: Down to 2000 Levels

San Francisco's annual unemployment rate for fiscal year 2006-2007 fell to 4.1 percent. In December 2006, the unemployment rate dipped to 3.7 percent, with only 15,800 San Francisco residents unemployed. That represented the lowest monthly unemployment total since December 2000.

Average Wages: Rising Rapidly

Despite the recession associated with the technology slump of the early 2000s, average wages in San Francisco have continued to grow at higher rates than the state or nation. San Francisco's average annual wage, across all industries, grew to $70,825 in CY 2006 – a 6.4 percent increase over CY 2005[6]. By comparison, average wages nationally grew by only 4.5 percent and by 4.6 percent in California. As

[2] *Emerging Trends in Real Estate 2008*, Urban Land Institute and PriceWaterhouseCoopers
[3] California Association of Realtors, *December 2006 Median Home Prices*.
[4] California Association of Realtors, *June 2007 Median Home Prices*.
[5] California Employment Development Department (EDD), Current Employment Statistics (CES) series, 10/4/2007
[6] U.S, Bureau of Labor Statistics, Quarterly Census of Employment and Wages

discussed in more detail below, the expansion of San Francisco's high-wage professional services sector, as well as dramatically rising wages in financial services, are largely responsible for the growth.

Bond Ratings: Holding Strong

The City's fiscal health continues to improve as reflected in investment grade bond ratings on the City's municipal debt. Moody's, Standard & Poor's and Fitch affirmed the City's general obligation bond ratings of Aa3, AA and AA-, respectively. The credit outlook on the City's municipal debt was affirmed "Positive" by Moody's and Fitch and "Stable" by Standard and Poor's. The rating agencies each cited the City's strong underlying economy or accelerating economic growth, highlighting the broad and resilient real estate sector in particular. Prudent financial management has also been cited.

San Francisco's Major Industries

San Francisco's economy is dependent on the global competitiveness of two sets of industry clusters: knowledge-based businesses centered around professional, financial, and information services, and experience-based businesses centered on tourism. San Francisco's recovery is due in no small measure to the resurgence of these key elements of its economy. The major industries within these clusters are detailed in this section, with a focus on the most recently-available job data.

In addition, a profile of some new San Francisco companies in each cluster are included below. In CY 2006, 22 major businesses relocated to San Francisco. From January to June 2007, 24 companies had relocated or announced their intentions to relocate to San Francisco. About half of these 2007 moves involved relocations of headquarters operations to the city, while the rest were branch offices of companies moving to San Francisco for the first time.

Finance, Professional, and Headquarters Services: Rapid Growth, and Rising Wages

The core of San Francisco's knowledge-based economy is its large downtown concentration of corporate headquarters, banks and financial services companies, and professional services such as law firms and consultants. The extraordinary strength of these industries is a significant source of San Francisco's current prosperity.

San Francisco's job growth rate is more than twice the national average
In December 2006, San Francisco held 129,316 jobs in financial services, professional services, and corporate headquarters establishments[7]. As a group, employment in these industries grew at the very rapid rate of 6.5 percent in San Francisco between CY 2005 and CY 2006, adding over 8,000 jobs. Nationally, the same industries grew by only 3.2 percent during the same time period.

Inflation-adjusted wages are growing rapidly as well
The increase in average San Francisco wages in these industries are as significant as their employment gains. Adjusted for the Bay Area's Consumer Price Index (CPI-U/SF), average wages in the City's financial services sector increased at 9.1 percent per year between 2003 and 2006, 3.3 percent per year in professional services, and 4.9 percent per year in headquarters establishments.

San Francisco is increasingly becoming a venture capital center
San Francisco has long been a financial services center, but in recent years it has seen growth in firms serving the high technology industries in particular. Several venture capital (VC) firms have moved or expanded in San Francisco to serve the emerging industries in the City and Bay Area region. These include Francisco Partners, a $5 billion private equity group, which relocated from Santa Clara County into space within the Presidio's Letterman Digital Arts Complex, in mid-2007. It joined three other venture capital firms in the Presidio, earning this location the nickname "Sand Hill North" in reference to the concentration of VC firms in Menlo Park, 30 miles to the south. Several other VC firms have relocated to Mission Bay to concentrate on its burgeoning biotechnology industry, including Column Group, Versant

[7] NAICS codes 52, 53, and 55.

Ventures, Novo Ventures, and Arch Venture Partners putting four top biotech VC firms in close proximity to other Mission Bay tenants, including Sirna and Pharmion.

Tourism and Hospitality: Strong Recovery, Rising Hotel Rates

The other major segment of San Francisco's economic base is the tourism and hospitality industry. Like the downtown office services, tourism has experienced a very strong recovery since the recession of the early 2000s.

Employment growth far outpacing the national average
There were 74,162 people working in arts, recreation, cultural services, accommodation, and food services in San Francisco at the end of 2006. This represents an increase of 2,578 jobs over CY 2005, for a 3.6 percent increase. Again, San Francisco's growth rate outpaced the national growth rate of 2.2 percent.

Visitor spending up 5.3 percent in the past year
After a 4.1 percent increase in visitors between 2004 and 2005, the San Francisco Convention and Visitors Bureau (SFCVB) reported a 0.3 percent increase in San Francisco visitors between 2005 and 2006, with a total of 15.8 million visitors in 2006.[8] These visitors spent an estimated $7.76 billion in the City in 2006, a 5.3 percent increase in spending compared to 2005. The fact that spending is increasingly far more rapidly than visitors indicates that average amount a visitor is spending is also rising; this is a key element of the City's tourism strategy.

Rising room rates driving heavy investment in hotels
In line with the increasing number of visitors, the hotel sector has continued its recovery, with both occupancy and average daily rates (ADR) increasing in 2007 over 2006 figures. Hotels city-wide reported an ADR of $175.66 for the first half of the year, a 4.4 percent increase from the same period in 2006, and up 21.3 percent since the end of 2003[9], Mid-year occupancy rates increased 2.5 percent over last year, to a healthy 74.7 percent. 86 hotel rooms were added in 2006, and developers and hotel operators are bullish on the San Francisco market: about 2,800 rooms are in the development pipeline.

Retail sales growth stays strong in the face of decline across the state
Retail sales are closely tied to the visitor industry in San Francisco. Sales growth was a strong 5.3 percent in FY 2006-2007, consistent with the recovery of tourism and the overall economy. In fact, the City's retail sales tax receipts for FY 2006-2007 surpassed the previous high-water mark experienced during the height of the dot-com boom in FY 2001-2002. This indicates that the City has achieved full recovery on the retail sales tax side in six years. As a point of comparison, several other large Bay Area cities are not projected to recover fully for another six years.

San Francisco: the global gateway
In June 2007, the SFCVB launched several new initiatives and strategies to more actively market the City, and encourage visitors to extend their stay and increase their spending. These include focusing on less well-known, more socially-progressive aspects of the City, touting the City's environmental credentials, and marketing a wider set of city neighborhoods. It also includes targeting international travelers, who are thought to be especially attracted to progressive and cosmopolitan San Francisco. These target markets include China and India, as well as traditional markets like the United Kingdom and Japan. Given the recent decline of the US dollar against other major currencies, San Francisco's worldwide brand and wide international appeal will likely keep growth strong and help insulate the City from other economic risks.

[8] San Francisco Convention and Visitor Bureau, "Visitor Industry Economic Impacts, 2006."
[9] PKF Consulting.

Emerging Technology Industries

Information and Digital Media: clear signs of recovery
Since the mid-1990s, the Information sector[10]—consisting of software products, traditional and internet-based media publishing, film, music, digital media, and television—has emerged as an important component of San Francisco's economic base. Hard-hit by the recession, San Francisco's information sector has nevertheless begun to recover, posting an impressive 4.6 percent employment growth rate during CY 2007. In December 2006, San Francisco had 18,100 jobs in the Information sector, according to California's Employment Development Department.

Many information and digital media businesses have moved to San Francisco in the past year. Google brought about 800 employees to San Francisco when it occupied 210,000 square feet in Hills Plaza. Intuit, the Mountain View-based software maker, moved into 14,100 square feet. Zannel, a mobile video startup, brought 26 employees from incubator space in Menlo Park, and Exent Technologies, a PC and Video game company, relocated from Bethesda, Maryland.

Biotechnology: entering the take-off phase
Recombinant genetic engineering, the central innovation that created the biotechnology industry, was co-invented by a researcher at the University of California, San Francisco in the 1970s. Between UCSF, Stanford University, the University of California at Berkeley, and other local research institutions, the Bay Area is the leading biomedical research region in the world. The region is also home to many of the world's largest biotechnology companies, and also leads the world in venture capital investment in biotech.

Until recently, however, few biotechnology companies were located in San Francisco itself. This has begun to change with the growth of the Mission Bay redevelopment area. Mission Bay now houses a new UCSF campus, and growing amounts of lab and incubator space for researchers and start-up companies. Between 2005 and 2006, San Francisco added 14 companies and 687 employees in R&D services in physical and biological sciences[11], which represents early-stage biotechnology.

Significant activity by businesses in this sector include Sirna Therapeutics, which expanded into 40,000 square feet at 1700 Owens Street, a speculative building in Mission Bay that is now fully leased. Merck Pharmaceuticals bought Sirna for $1.1 billion in 2006, bringing a global player into the heart of the City's biotech cluster. Pharmion relocated from Colorado, and FibroGen announced it will relocate its corporate headquarters from South San Francisco to a new 450,000 square foot laboratory building being developed in Mission Bay. This move will make FibroGen the largest biotech company to date to commit to the City; it will have 200 employees in San Francisco when its building is completed in 2008.

As Mission Bay continues to develop, it is expected that San Francisco's biotechnology industry will continue to grow rapidly. In expectation of this, Alexandria Real Estate Equities, the primary non-residential land owner in Mission Bay, is speeding up its construction schedule and plans to build 2.2 million square feet of its life science complex at Mission Bay by 2011.

Key Economic Foundations and Government Initiatives

San Francisco's industry competitiveness and overall prosperity are underpinned by a number of local economic foundations that benefit City businesses, ranging from its real estate and transportation infrastructure, to its quality of life and business climate. In many different areas, the City government is taking steps to strengthen these advantages, and thereby helping to secure the City's continued prosperity. Some important initiatives are described in the sections that follow.

[10] NAICS code 51.
[11] NAICS code 54171.

Housing and Commercial Development

San Francisco continued to make significant progress in developing new residential, commercial, and transportation infrastructure in FY 2006-2007.

Housing: continuing investment, and planning for future growth
The Mayor's 15/5 initiative (15,000 new units in five years) is addressing San Francisco's chronic housing shortage. In CY 2006, 2,828 housing units were constructed, indicating the continuing strength of San Francisco's housing market in the face of the national downturn. Another 5,025 units were under construction as of the first quarter of 2007, the most recent data available.

Also in CY 2006, the Planning Department entitled 6,410 new residential units, the third straight year in which over 6,000 units were entitled. These entitlements are laying the groundwork for strong housing production in the next few years. In total, there are about 30,134 residential units in 1,157 different projects in various stages of planning. This total does not include up to approximately 18,000 units planned at the former Naval Shipyard at Hunters Point, and the former Naval Station at Treasure Island. These units are planned but not yet filed, and bring the total to 48,100 units planned, proposed, or under construction.

Office and Retail: declining vacancy, rising rents, increasing investment, more green buildings
The office market also continued its recovery in FY 2006-2007, with the vacancy rate declining from 14.1 percent in the third quarter of 2006 to 11.9 percent in the second quarter of 2007. During the same period, office rental rates increased 21.5 percent to $42.31 as of the second quarter of 2007, while the market experienced about 1.9 million square feet of net absorption. Office developers are taking advantage of this strong market: there is currently 1.8 million square feet of commercial space under construction. In 2006, the Mayor issued an executive directive offering priority permitting for green buildings; two major developers are building Leadership in Energy and Environmental Design (LEED) Gold buildings in response to this incentive.

Westfield Centre, including Bloomingdale's, opened last year after a $460 million makeover of the former Emporium home, adding one million square feet of retail and office space to its shopping center in the middle of San Francisco's retail district.

Real estate investors have confidence in the City as well: more than half of downtown's office inventory traded hands in the last two years with the pace quickening in 2007. As of June 2007, there has been $6.1 billion in sales year-to-date, surpassing the entire sales activity for both 2005 ($4.3 billion) and 2006 ($3.8 billion).

Treasure Island: a pioneering model for urban sustainable development
Over the last year, a forward-thinking plan for Treasure Island has emerged. By leveraging private capital and the City's entitlement power, the City will transform a closed military base into one of the greenest, most sustainable development projects in U.S. History. The Treasure Island Plan will add 6,000 new residential units, including 1,800 at below market rate. In addition, 250,000 square feet of retail and commercial space, 450 hotel rooms and a 300-acre park in the middle of San Francisco Bay will be created, without using any General Fund monies.

Bayview and Hunters Point: environmental restoration and economic development
A similar opportunity exists along San Francisco's southern waterfront, at Candlestick Point and the Hunters Point Shipyard. Current plans include 8,500 housing units, permanent artist studios, over 2,000,000 square feet of research and development space targeted to digital arts, green technology and biotech, and over 350 acres of open space and waterfront park land. Revitalizing these unique waterfront sites will create badly-needed jobs, affordable housing and parks and open space for the Hunters Point community, and the broader region.

In May 2007, the Redevelopment Agency Commission and the Board of Supervisors endorsed the conceptual framework to guide the City and County of San Francisco, its Redevelopment Agency, and Lennar Communities in planning an integrated, mixed-use project at the Candlestick Point Area of the Bayview Hunters Point and the Hunters Point Shipyard Redevelopment Project Areas. A new 49ers stadium could be an element of that revitalization effort; plans are proceeding with, and without, a stadium alternative.

Transportation Infrastructure

San Francisco's ongoing growth and economic development is raising demand for transportation and creating a need for new investment. This growth is being experienced across all modes, including bus, rail, air, and water. Nevertheless, San Francisco is actually experiencing improving surface transportation performance, despite its growing population and strong economy.

The Transbay Transit Center: a Grand Central Station of the West
In 2006, the Transbay Transit Center project obtained Federal and State environmental approvals. The Center will initially feature an expanded terminal for buses to and from surrounding counties, and is planned to include a terminal for commuter rail from San Mateo County, high speed rail from Southern California, and pedestrian connections to the City's MUNI Metro, and Bay Area Rapid Transit (BART) subways.

The Transbay Center will include a mixed use Transit Tower, whose development will fund much of the transit infrastructure. That project's design and development competition resulted in five teams responding, including some of the world's most prominent architects and developers. On September 20, 2007, the Transbay Joint Powers Authority selected the team of Pelli Clarke Pelli Architects and Hines to enter into exclusive negotiations.

The Transbay Center is a singular expression of transit-oriented development. It includes plans for very tall nearby buildings that will effectively shift the heart of downtown, and create the "Grand Central Station of the West". The Center will be critical for the future of the local and regional economy. Rising freeway congestion in the Bay Area make it critical for the region to have the ability to rapidly bring large numbers of workers into a transit-accessible employment center. Downtown San Francisco can serve this function better than any other area in California, and the Transbay Center will significantly strengthen this capacity.

San Francisco International Airport: lower fees, more carriers and connections
San Francisco International Airport (SFO) also continued to experience rising usage during the past year. From July 2006 to June 2007, the airport served 34.3 million passengers, up 2.4 percent from the previous year. International passengers rose over twice as fast: 5.1 percent, emphasizing San Francisco's rising role as an international business and leisure destination, as well as an expanding array of direct international connections.

Continued passenger volume increases are anticipated as SFO's strategy of lowering landing fees to attract low-cost carriers is paying off. Three new low-cost carriers started service at SFO in 2007. International SFO passenger traffic should increase with the expansion of several international airline routes. United plans to add non-stop service from SFO to the Guangzhou area in 2008, pending DOT approval, and Cathay Pacific Airways will add a second daily flight between San Francisco and Hong Kong. In addition, India's Jet Airways, Air India, and Kingfisher are expected to begin operations at SFO later in 2007 and early in 2008. These connections will cement San Francisco's role as a key hub for business and trade with China and India, the two fastest growing major economies in the world.

Port of San Francisco: complementing the city's tourism industry
The Port of San Francisco is a major west coast cruise ship destination. Passenger boardings have significantly increased in the last three years, nearly doubling between 2003 and 2006 to 223,605 passengers.

Traffic congestion: improving despite economic growth
Traffic congestion has been a major issue in the City, as in most large cities, but the situation has been improving in San Francisco. The County Transportation Agency reports that average vehicle speed increased in San Francisco between 2006 and 2007, during both AM and PM rush hours, and on both arterial roads and freeways. In 2007, the average arterial peak speed in roads in the City's Congestion Management Program was 17.2 miles per hour in the AM, and 17.8 miles per hour during the PM peak period, representing an 8.2 percent and 7.9 percent increase in average speed over 2006 AM and PM peak periods, respectively. Average peak AM freeway speeds increased 36.6 percent to 47.8 miles per hour in 2007, while PM peak freeway speeds increased 20.7 percent to 40.3 miles per hour. The recent completion of major construction projects may be the source of the extraordinarily large increases in average freeway speeds, but the benefits for the local economy are nevertheless substantial.

Transit: New investments in critical infrastructure
Transit is of vital importance to San Francisco, particularly as its employment and population numbers grow. The Bay Area Rapid Transit (BART) system is a four-county commuter rail system that helps make San Francisco an accessible work location to workers across the Bay Area. Each workday in 2007, an average of 154,000 people exit a BART station in San Francisco, a 6.8 percent increase over 2006. The City-owned Municipal Transportation Agency (MUNI) carried an average of 654,300 passengers each workday in FY 2006, totaling nearly 211 million annual passenger trips.

MUNI's $648 million T-Third light rail line started full service in April 2007, connecting the Third Street neighborhoods to the full Muni Metro system. The T-Third provides a vital economic link between the southeast sector of San Francisco and the rest of the City, while also providing significant streetscape improvements to the Third Street corridor.

Quality of Life

In recent years the City has added a number of new attractions that are largely supported by out-of-town visitors, but give residents a wealth of recreational and cultural opportunities they would not have elsewhere. The quality of life generated by these opportunities, in turn is vital to developing the highly-skilled creative talent pool that fuels the City's knowledge sector. Thus a high quality of life is not simply an indicator of successful economic development in San Francisco—it is a prerequisite for continuing economic development.

New museums broaden San Francisco's tourism appeal and improve the quality of life
Several museums are currently in the works, broadening the base of cultural amenities for both visitors and residents alike. Chief among them is the new California Academy of Sciences in Golden Gate Park. Renzo Piano's 410,000-square foot facility, across from the de Young Museum, has an undulating living roof covered with plants; this and other green building features will earn the museum LEED platinum status when it opens in October 2008.

Designs for the San Francisco Museum and Historical Society's development of the historic Old Mint building are nearing completion; a third of the $90 million fundraising goal has been met. Doris and Donald Fisher, co-founders of The Gap, plan to build a 100,000-square-foot Contemporary Art Museum of the Presidio to display their collection of contemporary art. The Walt Disney Family Foundation has signed a lease to establish the Walt Disney Family Museum and Library on the Presidio's Main Post and is expected to open to visitors in August 2009. The 63,000 square foot Jewish Museum on Yerba Buena Lane will be completed by year end 2007, with an opening scheduled for Spring 2008. Finally, the renowned science museum The Exploratorium has started an environmental impact review for its anticipated move from the Palace of Fine Arts to Piers 15-17, a move that would allow the museum to double its footprint to 200,000 square feet.

Building a greener and more livable city
Several initiatives were started or expanded this year to provide for a cleaner and greener San Francisco to enhance both the visitor and resident experiences. The Livable City Initiative was expanded in order to green City streets and help define the unique characteristics of each neighborhood. The City has secured

$8 million dollars in federal and local funds to begin major streetscape improvements, including planting trees, improving median strips, repairing sidewalks, replacing street lamps. In addition to these streetscape improvements, 5,000 trees were planted in 2006, and another 5,000 are planned for the next 12 months.

In 2006, the City also launched the Clean Corridors program that focuses on main commercial districts, removing graffiti, picking up trash and bringing these 100 key corridors to a higher standard of care and cleanliness.

Another successful tool to improve the City's neighborhood commercial corridors is the creation of more Community Benefit Districts (CBDs). Neighborhood groups and merchant associations now have the ability to form these CBDs to expand daily street cleaning, plant new trees, sponsor neighborhood festivals, provide new signage, and make other improvements.

Governance: Expanding the City's Enterprise Zone

In 2007, San Francisco expanded its enterprise zone along the eastern edge of the City, allowing potentially thousands more businesses to apply for millions of dollars in state tax breaks, including hiring tax credits, tax credits for purchasing machinery, and the ability to carry over operating losses from previous tax years.

Award

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the twenty-fifth consecutive year (fiscal years ended June 30, 1982 – 2006) that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

I would like to express my appreciation to the entire staff of the Controller's Office whose professionalism, dedication, and efficiency are responsible for the preparation of this report. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support in the preparation of the CAFR. Finally, I want to thank the Mayor and the Board of Supervisors for their interest and support in planning and conducting the City's financial operations.

Respectfully submitted,

Edward Harrington
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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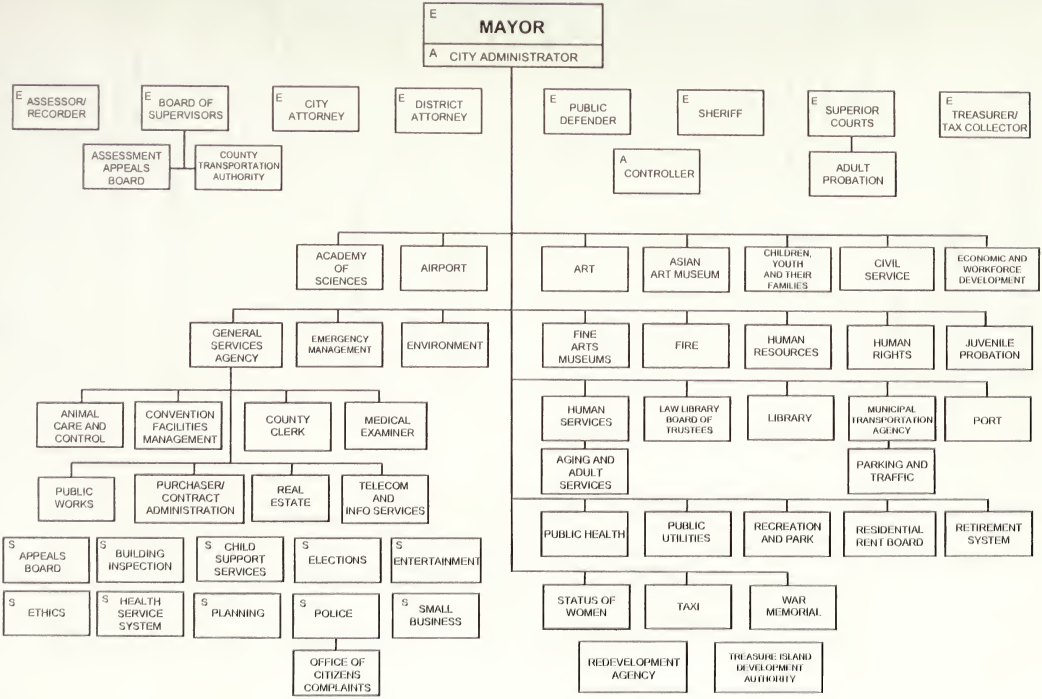
City and County of San Francisco Organization Chart

(As of June 30, 2007)



A = Appointed by Mayor and confirmed by Board of Supervisors / E = Elected / S = Shared – appointed by various elected officials.

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2007

ELECTED OFFICIALS

Mayor	Gavin Newsom
Board of Supervisors:	
President	Aaron Peskin
Supervisor	Michela Alioto-Pier
Supervisor	Tom Ammiano
Supervisor	Chris Daly
Supervisor	Bevan Dufty
Supervisor	Sean Elsbernd
Supervisor	Ed Jew
Supervisor	Sophie Maxwell
Supervisor	Jake McGoldrick
Supervisor	Ross Mirkarimi
Supervisor	Gerardo Sandoval
Assessor/Recorder	Phil Ting
City Attorney	Dennis J. Herrera
District Attorney	Kamala D. Harris
Public Defender	Jeff Adachi
Sheriff	Michael Hennessey
Superior Courts	
Presiding Judge	Judge David L. Ballati
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Edwin M. Lee
Controller	Edward Harrington

DEPARTMENT DIRECTORS/ADMINISTRATORS

Academy of Sciences	Greg Farrington, Ph.D.
Airport	John L. Martin
Appeals Board	Robert H. Feldman
Art	Nancy Gonchar (Acting)
Asian Art Museum	Emily J. Sano
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Dawn Duran
County Transportation Authority	José Luis Moscovich
Building Inspection	Isam Hasenin
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Margaret Brodkin
Civil Service	Kate Favetti
Economic and Workforce Development	Jesse Blout
Elections	John Arntz
Emergency Management	Laura Phillips

DEPARTMENT DIRECTORS/ADMINISTRATORS *(Continued)*

Entertainment	Robert Davis
Environment	Jared Blumenfeld
Ethics	John St. Croix
Fine Arts Museums	John E. Buchanan, Jr.
Fire	Joanne Hayes-White
General Services Agency	
Animal Care and Control	Carl Friedman
Convention Facilities Management	John Noguchi
County Clerk	Karen Hong
Medical Examiner	Amy P. Hart, M.D.
Public Works	Fred V. Abadi, Ph.D.
Purchaser/Contract Administration	Naomi Kelly
Real Estate	Amy Brown
Telecommunications and Information Systems	Chris Vein
Health Service System	Bart Duncan
Human Resources	Jim Horan
Human Rights	Virginia Harmon
Human Services	Trent Rohrer
Aging and Adult Services	Anne Hinton
Juvenile Probation	William Siffermann
Law Library Board of Trustees	Marcia Bell
Library	Luis Herrera
Municipal Transportation Agency	Nathaniel P. Ford, Sr.
Parking and Traffic	Bond Yee (Acting)
Planning	Dean Macris (Acting)
Police	Heather Fong
Office of Citizen Complaints	Jean Field (Acting)
Port	Monique Moyer
Public Health	Mitchell H. Katz, M.D.
Public Utilities	Susan Leal
Recreation and Park	Yomi Agunbiade
Residential Rent Board	Delene Wolf
Retirement System	Clare M. Murphy
Small Business	Agnes Briones Ubalde
Status of Women	Emily Murase
Superior Court	Gordon Park-Li
Adult Probation	Jeanne Woodford
Taxi	Heidi Machen
War Memorial	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNITS

Redevelopment Agency	Marcia Rosen
Treasure Island Development Authority	Mirian Saez

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Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

Photo by Jeff Greenberg, San Francisco Convention & Visitors Bureau

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The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
City and County of San Francisco

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of San Francisco, California (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, San Francisco Municipal Railway, the Parking Garage Corporations, San Francisco Wastewater Enterprise, Port of San Francisco, San Francisco Market Corporation, City and County of San Francisco Finance Corporation, Employees' Retirement System, Health Service System, and the San Francisco Redevelopment Agency, which collectively represent the following percentages of assets, net assets/fund balances and revenues/additions as of and for the year ended June 30, 2007:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental activities	1%	10%	0%
Business-type activities	95%	93%	74%
Discretely presented component units	100%	93%	94%
Municipal Transportation Agency enterprise fund	97%	100%	93%
Aggregate remaining fund information	91%	93%	49%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. The prior year partial and summarized comparative information has been derived from the City's 2006 basic financial statements and, in our report dated December 20, 2006, we expressed unqualified opinions, based on our audit and the reports of other auditors, on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of San Francisco, California, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial or summarized prior year comparative information. Such prior year information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2006, from which such partial or summarized information was derived.

The management's discussion and analysis and schedules of funding progress listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Walnut Creek, California
December 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as 2005-2006 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the 2006-2007 basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately $6.58 billion (net assets). Of this amount, $552.7 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The increase in the government's total net assets is $375.2 million or 6.0 percent during fiscal year 2006-2007 compared to an increase of $438.5 million or 7.6 percent during fiscal year 2005-2006. This year, there was a 2.8 percent rise in total revenues while overall expenses grew by 4.5 percent.

- Net assets for the City's governmental activities increased by $76.4 million or 4.3 percent at the end of fiscal year 2006-2007, reflecting the continued growth although at a slower pace than in the prior fiscal year when net assets increased by $293.5 million or 19.6 percent.

- At June 30, 2007, the City's total ending fund balance for governmental funds was approximately $1.25 billion. Within this total, $191.6 million, or 15.3 percent is unreserved and available for spending at the government's discretion within the purposes specified for the City's funds. This reflects a one percent increase in unreserved fund balance over the prior year.

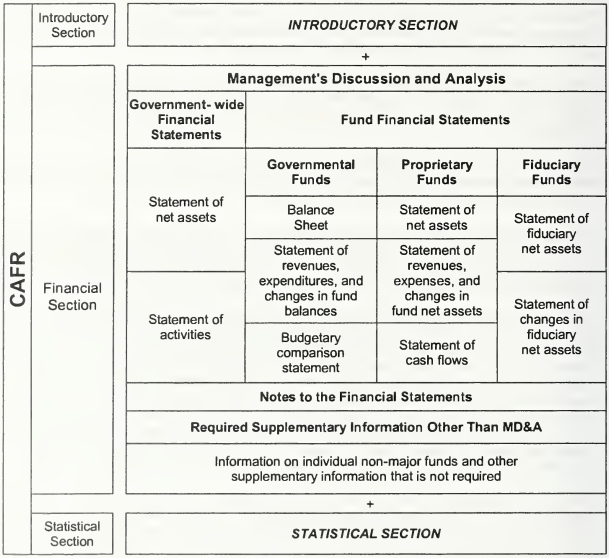
- The City's General Fund had an unreserved fund balance of $141.0 million on June 30, 2007, a $2.1 million or 1.5 percent increase over the previous fiscal year. The total fund balance increased by 17.4 percent to $541.5 million at the same time. This year's improvement was primarily due to a 7.1 percent or $174.9 million increase in revenues primarily from property taxes, business taxes, other local taxes, interest and investment income. This increase brought the General Fund total revenues to $2.65 billion compared to total expenditures of approximately $2.16 billion for the fiscal year. Due to the strong revenue growth, the City increased the General Fund's "rainy day" reserves by $26.3 million in new deposits less a partially offsetting $14.7 million withdrawal for eligible one-time expenditures and capital investment. The net effect was an $11.6 million increase which brought the total to $133.6 million as of June 30, 2007.

- The City's total long-term debt, including all bonds, loans, commercial paper and capital leases decreased by $31 million during fiscal year 2006-2007. The City issued $157.3 million in general obligation refunding bonds and $153.7 million in certificates of participation for acquisition of two office buildings and improvements work for three office buildings. In addition, this year the San Francisco International Airport and the San Francisco Water Enterprise issued $453 million and $48.7 million, respectively, in revenue refunding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves. These various elements of the Comprehensive Annual Financial Report are related as shown in the graphic below.

Organization of City and County of San Francisco Comprehensive Annual Financial Report



The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general City responsibilities. The business-type activities of the City include an airport, port, public transportation systems (including parking), water and power operations, an acute care hospital, a long-term care hospital, sewer operations, and a produce market.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, the San Francisco Redevelopment Agency, and a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements - i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annually appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers - either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), Port of San Francisco (Port), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Transportation Agency (MTA), Laguna Honda Hospital, San Francisco General Hospital Medical Center, and the San Francisco Wastewater Enterprise (Wastewater), all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
June 30, 2007 (in thousands)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	$ 2,034,379	$ 2,073,433	$ 2,098,272	$ 2,162,036	$ 4,132,651	$ 4,235,469
Capital assets	2,900,769	2,674,862	8,867,534	8,529,054	11,768,303	11,203,916
Total assets	4,935,148	4,748,295	10,965,806	10,691,090	15,900,954	15,439,385
Liabilities:						
Noncurrent liabilities outstanding	2,201,025	2,138,652	5,529,934	5,701,283	7,730,959	7,839,935
Other liabilities	863,112	815,025	724,608	577,374	1,587,720	1,392,399
Total liabilities	3,064,137	2,953,677	6,254,542	6,278,657	9,318,679	9,232,334
Net assets:						
Invested in capital assets, net of related debt	1,454,614	1,438,010	3,795,006	3,438,397	5,249,620	4,876,407
Restricted	430,843	428,646	349,136	437,366	779,979	866,012
Unrestricted (deficit)	(14,446)	(72,038)	567,122	536,670	552,676	464,632
Total net assets	$ 1,871,011	$ 1,794,618	$ 4,711,264	$ 4,412,433	$ 6,582,275	$ 6,207,051

Analysis of Net Assets

Net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $6.58 billion at the close of the fiscal year 2006-2007.

The largest portion of the City's net assets reflects its $5.25 billion (79.8 percent) investment in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. This percentage has remained substantially the same since fiscal year 2005. The City uses capital assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to pay these liabilities.

Another portion of the City's net assets, $780.0 million (11.8 percent) represents resources that are subject to external restrictions as to how they may be used. The remaining balance, unrestricted net assets, $552.7 million (8.4 percent) may be used to meet the government's ongoing obligations to citizens and creditors. Together, these two components of net assets totaled 20.2 percent in fiscal year 2006-2007, comparable to the prior year's percentage.

At the end of the fiscal year 2006-2007, the City had positive balances in all three components of net assets for the government as a whole, as well as for the business-type activities. For the governmental activities, unrestricted net assets have a deficit of $14.4 million related primarily to the $114.0 million in debt from general obligation bonds issued by the City for the benefit of the San Francisco Unified School District and San Francisco Community College District, which are recorded on the City's books with no corresponding assets.

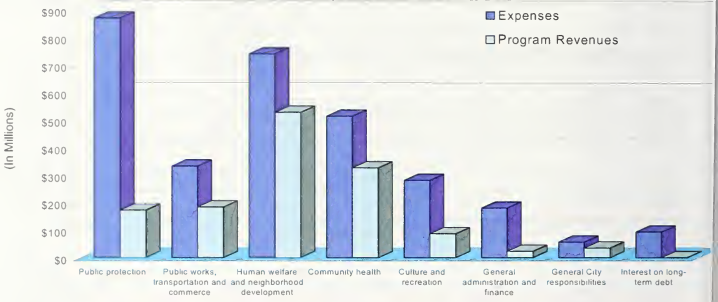
Changes in Net Assets
Year Ended June 30, 2007 (in thousands)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	$ 382,489	$ 399,265	$ 1,822,047	$ 1,714,488	$ 2,204,536	$ 2,113,753
Operating grants and contributions	927,256	859,919	183,301	188,672	1,110,557	1,048,591
Capital grants and contributions	50,479	248,329	150,080	110,403	200,559	358,732
General revenues:						
Property taxes	1,126,992	1,016,220	-	-	1,126,992	1,016,220
Business taxes	337,592	323,153	-	-	337,592	323,153
Other local taxes	668,824	595,664	-	-	668,824	595,664
Interest and investment income	86,233	71,129	85,692	53,161	171,925	124,290
Other	33,046	56,022	218,184	272,873	251,230	328,895
Total revenues	3,612,911	3,569,701	2,459,304	2,339,597	6,072,215	5,909,298
Expenses						
Public protection	870,381	780,642	-	-	870,381	780,642
Public works, transportation and commerce	309,095	272,397	-	-	309,095	272,397
Human welfare and neighborhood development	751,034	858,396	-	-	751,034	858,396
Community health	516,321	478,844	-	-	516,321	478,844
Culture and recreation	290,547	244,423	-	-	290,547	244,423
General administration and finance	185,961	167,490	-	-	185,961	167,490
General City responsibilities	67,948	49,054	-	-	67,948	49,054
Unallocated Interest on long-term debt	94,060	94,923	-	-	94,060	94,923
Airport	-	-	624,832	633,102	624,832	633,102
Transportation	-	-	726,053	695,593	726,053	695,593
Port	-	-	61,937	55,329	61,937	55,329
Water	-	-	236,824	213,584	236,824	213,584
Power	-	-	95,020	119,146	95,020	119,146
Hospitals	-	-	714,349	646,149	714,349	646,149
Sewer	-	-	168,954	160,701	168,954	160,701
Market	-	-	1,061	1,035	1,061	1,035
Total expenses	3,085,347	2,946,169	2,629,030	2,524,639	5,714,377	5,470,808
Increase/(decrease) in net assets before special items and transfers	527,564	623,532	(169,726)	(185,042)	357,838	438,490
Special items	-	-	17,386	-	17,386	-
Transfers	(451,171)	(329,996)	451,171	329,996	-	-
Change in net assets	76,393	293,536	298,831	144,954	375,224	438,490
Net assets at beginning of year	1,794,618	1,501,082	4,412,433	4,267,479	6,207,051	5,768,561
Net assets at end of year	$ 1,871,011	$ 1,794,618	$ 4,711,264	$ 4,412,433	$ 6,582,275	$ 6,207,051

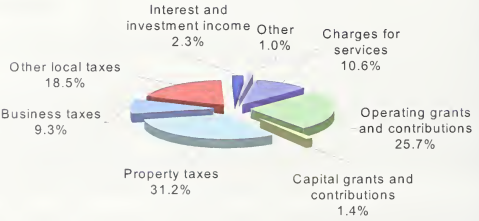
Analysis of Changes in Net Assets

The City's net assets overall increased by $375.2 million during fiscal year 2006-2007, compared to a $438.5 million increase during the prior fiscal year. The governmental activities accounted for $76.4 million of this increase and the business-type activities accounted for $298.8 million. While all business-type activities realized increases to their net assets, approximately 68.1 percent, $203.4 million is due to increases at Laguna Honda Hospital (LHH) and Municipal Transportation Agency (MTA). The LHH increase to net assets was $111.8 million and was primarily due to transfers from the City's governmental funds to support rebuilding of the hospital. The MTA increase of $91.6 million was partially due to increases in capital contributions from state and federal sources. A discussion of these and other changes in both governmental and business-type activities is presented on the following pages.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. Governmental activities increased the City's total net assets by $76.4 million during fiscal year 2006-2007, compared to a $293.5 million increase during fiscal year 2005-2006. Key factors contributing to this year's increase are as follows:

- Overall, governmental activities' revenue increased by approximately $43.2 million while expenses increased by $139.2 million and net transfers out increased by $121.2 million. This resulted in a net asset increase of $76.4 million for governmental activities at the end of fiscal year 2006-2007.

- Expenses for Human Welfare and Neighborhood Development were approximately $107.3 million less in fiscal year 2006-2007 as compared to the prior year. This was partially due to

a one-time increase in the allowance for uncollectible loans account last year because of a change in accounting policy for the City's low-income housing program. At the government-wide level, this was approximately $160 million offset by this year's increase in expenses of $53 million for personnel, grants, and other administrative expenses.

- Property tax revenue increased significantly by $110.8 million or 10.9 percent during the fiscal year. Most of this growth is due to a 7.6 percent increase in net assessed valuations in fiscal year 2006-2007 as compared to fiscal year 2005-2006, the expiration of ERAF III (the State is shifting the property taxes from the City to the Educational Revenue Augmentation Fund for Schools), and 1.9 percent increase due to escape billings and supplemental billings.

- Business tax revenue increased $14.4 million or 4.5 percent, due largely to wage growth as well as moderate employment growth. San Francisco had 12,200 more jobs in calendar year 2006 as compared to calendar year 2005, representing an annual growth in jobs of 2.4 percent.

- Revenues from other local taxes, which includes real property transfer tax, hotel, sales, utility users and parking tax, increased by $73.2 million or 12.3 percent. The largest components of growth were hotel tax (up $20.4 million or 11.7 percent), real property transfer tax (up $12.7 million or 9.7 percent), local sales tax (up $9.6 million or 5.5 percent). Factors contributing to this growth include increased hotel occupancy and average daily room rates, increased transfer tax revenues associated with increased property sales activity, increasing sales activity and increased parking tax collections due to higher parking demand and rate increases. On a related note, in fiscal year 2006-2007, the implementation of Ordinance No. 71-07 transferred the 40 percent or $25.9 million parking tax allocation related to public transit (which formerly accrued directly to the MTA) to the General Fund with an associated transfer out to the MTA in lieu of the parking tax.

- Interest and investment income improved by about $15.1 million or 21.2 percent during the year primarily due to higher interest rates during the period. The earned yield on City pooled investments increased nearly 24 percent from 4.2 percent to 5.2 percent. In general, these returns reflect the City's concentration of investments in Treasury Bills and Notes and other short-term investments combined with increasing interest rates from the Federal Reserve. At the fiscal year end, deposits and investments for governmental activities with the City Treasury were $1.35 billion, a 10.7 percent decrease over the previous year.

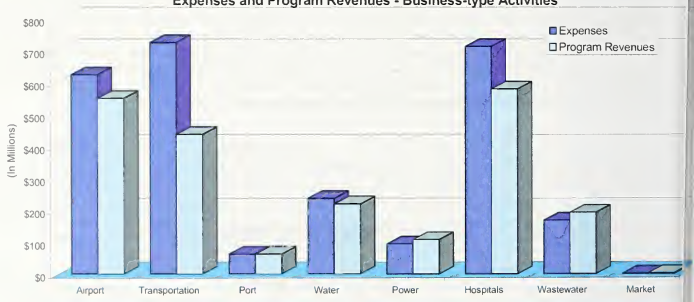
- Operating grants and contributions increased by $67.3 million or 7.8 percent during fiscal year 2006-2007. This included additional Homeland Security funds of close to $12.7 million for public works, transportation and commerce and approximately $3.8 million for public protection. Grant increases to other public protection programs were approximately $7.0 million. Federal grants for community development and housing programs increased by about $14.2 million and state funds for health and welfare programs rose by close to $20.0 million. The City also realized an additional $4.5 million in fiscal year 2006-2007 for state mandated programs, and $5.7 million for election support.

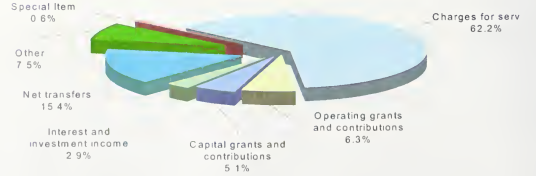
- The capital grants and contributions revenue significant decrease of $197.9 million is primarily due to recognition of the City's newly rebuilt de Young Museum in 2005-2006 which was constructed with private funding through an independent non-profit corporation. Apart from this major contribution change year-over-year, the revenue for fiscal year 2006-2007 was at the same level as the previous fiscal year.

- Net transfers to business-type activities were $451.2 million in fiscal year 2006-2007, a net $121.2 million increase over fiscal year 2005-2006. These transfers included a net increase of $41.7 million and $7.0 million to Laguna Honda Hospital to support for re-construction of the hospital and operating subsidy respectively; a $36.4 million net increase to San Francisco

General Hospital Medical Center related to increased General Fund support; a $35.3 million net increase to MTA, of which $25.9 million was due to the change in parking tax budgeting discussed earlier and the remaining due to higher baseline funding. In addition, there was a net decrease of $1.8 million in Airport transfers, and Water recorded a one-time net transfer of $9.7 million to the Governmental activities for the acquisition of land.

The charts shown previously illustrate the City's governmental expenses and revenues by function, and its revenues by source. As shown, public protection is the largest function in expense (28.2 percent), followed by human welfare and neighborhood development (24.3 percent), and community health (16.7 percent). General revenues such as property, business, and sales taxes are not shown by program, but are used to support program activities citywide. For governmental activities, property taxes were the largest single source of funds (31.2 percent) in fiscal year 2006-2007, as compared to 28.4 percent in fiscal year 2005-2006. In addition, operating grants and contributions were the second largest source of funds (25.7 percent) in fiscal year 2006-2007 slightly increased from 24.1 percent in fiscal year 2005-2006. The ratios for other revenue categories shifted only slightly from the prior fiscal year 2005-2006: business taxes (9.3 percent vs. 9.1 percent in the prior year), other local taxes (18.5 percent versus 16.7 percent in the prior year), and charges for services (10.6 percent versus 11.2 percent in the prior year). The changes in ratios are partly due to the decrease in capital contributions this year which was previously discussed.





Business-type activities increased the City's net assets by $298.8 million. Key factors contributing to this improvement are:

- The Municipal Transportation Agency (MTA) had net assets of $1.89 billion at June 30, 2007, an increase of approximately $91.6 million over the prior fiscal year. The total net assets include $1.84 billion (97.3 percent) for MUNI, the City's municipal railway. The remainder represents the combined net assets of the Department of Parking and Traffic and the Parking Authority. Between the end of fiscal years 2005-2006 and 2006-2007, MUNI's net assets increased by approximately $80.7 million, primarily due to the completion of the first phase, and continued work on the second phase of the Third Street Light Rail Project, funded by federal, state and local capital contributions. During this same period, MUNI's total operating revenues grew by $8.0 million to a total of $149.2 million. This was largely due to the combination of an increase in ridership along with the annualizing of a passenger fare increase which began in September 2005. MUNI also reported a decrease in non-operating revenues of $13.9 million. The primary components of this change were a $9.4 million increase in parking garage revenues and a $25.9 million decrease in parking tax revenues. The decrease in parking tax revenues occurred because of a change in budgeting but was backfilled by a like amount of transfer funding from the General Fund, beginning in fiscal 2006-2007. This year, the City's General Fund total subsidy to MTA was $197.1 million. This included $149.8 million for MUNI, a $31.4 million increase over the prior year mostly due to the aforementioned change in budgeting for parking tax revenue, and $47.3 million for the Department of Parking and Traffic, a $3.8 million increase over the prior year.

- Laguna Honda Hospital, the City's long-term care hospital increased net assets by $111.8 million during fiscal year 2006-2007, or 70.9 percent, reflecting the major capital project underway to rebuild the hospital. The increase included $91.2 million in transfers from the non-major governmental funds which account for the Laguna Honda Hospital General Obligation Bond proceeds and capital project activity. In addition, the hospital received a $45.7 million subsidy transfer and a $1.3 million operating transfer from the City's General Fund and $0.2 million from the San Francisco General Hospital Medical Center. This $138.4 million of inflow was offset by approximately $26.6 million in operating and non-operating losses, compared to last year's loss of $22.5 million.

- Hetch Hetchy, which operates the City's water storage and power generating facilities in the Sierra Nevada Mountains, had net assets of $435.8 million at the end of fiscal year 2006-2007, an increase of $23.8 million or 5.8 percent over the prior fiscal year which realized a $41.7 million increase. This $17.9 million change between the two fiscal years reflects a $42.0 million decrease in total revenues and a $24.1 million reduction in expenses. Total revenues in fiscal year 2006-2007 were $118.8 and total expenses were $95.0 million. Decreased power sales to the Western System Power Pool, Modesto Irrigation District and Turlock Irrigation District account for much this revenue change. At the same time, the decline in expenses is largely due to a $21.8 million reduction in power purchases from Calpine, and a net decrease in general and administrative expenses, in particular litigation and judgment expenses, of approximately $2.2 million.

- The Water Enterprise's net assets were $438.6 million at the end of fiscal year 2006-2007, a $5.5 million, or 1.3 percent, increase over the prior year's net asset balance of $433.1 million. Since 2003 the enterprise has been engaged in a multi-billion dollar, ten-year capital improvement program to rebuild the City's water system. Progress on this massive project during this fiscal year is reflected in the Water Enterprise's $166.5 million increase in net capital assets and the associated use of $158.1 million of current assets, primarily restricted cash, to support this work. This net increase to total assets of $8.4 million was partially offset by a $2.9 million increase in total liabilities. The enterprise's total revenues for fiscal year 2006-2007 were $252.9 million, an increase of $37.6 million or 17.5 percent over the prior year. This included a $13.2 million increase in operating revenue from retail and wholesale water sales which was partially driven by rate increases to retail and wholesale customers of 15 and 19 percent, respectively. It also included a $12.9 million increase in interest and investment income due largely to higher cash

balances and higher interest earnings; $3.0 million from a one-time federal grant; and $6.5 million from the sale of capital assets. Total expenses for the enterprise increased by $23.2 million primarily due to increases in personal services, contractual services and depreciation as well as interest expenses. The enterprise also had an increase in transfer of about $9.2 million mainly due to the purchase of a capital asset from the City's governmental activities.

- The City's Wastewater had net assets of $959.3 million at the end fiscal year 2006-2007. This represents a 3.5 percent or $32.9 million increase over the prior year's balance of $926.4 million. Total revenues improved 17.3 percent, increasing from $172.0 million at the end of fiscal year 2005-2006 to $201.9 million at the end of fiscal year 2006-2007, a $29.9 million improvement. Revenue growth included approximately $17.1 million due to rate increases and $11.2 million due to implementation of a capacity charge increase first approved in fiscal year 2004-2005. Total expenses increased about $8.2 million during fiscal year 2006-2007, primarily due to contractual services, general administrative, and the cost of services by other departments.

- The Airport's net assets increased by $1.8 million, or 0.6 percent, for a total of $316.7 million at the end of fiscal year 2006-2007. This is significant as compared to last year's decrease in net assets of $42.7 million, or 11.9 percent. The change is primarily due to an increase of $48.6 million in operating revenues resulting from a $32.9 million increase in aviation revenues, mostly as a result of the growth in passenger traffic, and a $15.7 million increase in concession sales, parking and transportation fees and net sales and services. The Airport's operating expenses decreased by approximately $1.7 million, or 0.4 percent from the prior-year's total of $432.8 million. The transfer from the Airport to the City's General Fund was $23.3 million for fiscal year 2006-2007, an increase of $1.8 million over 2005-2006 .

As shown in the previous charts, the two largest of San Francisco's business-type activities, the Municipal Transportation Agency and the San Francisco International Airport had total expenses of over $700 million and $600 million, respectively for the fiscal year ended 2006-2007. The City's long term and acute care hospitals together also had total expenses over $700 million. Together, these four enterprises make up 78.6 percent of the total expenses for business-type activities. As in prior years, charges for services provided the largest share of revenues, 62.2 percent for all business-type activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental fund statements is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately $1.25 billion, a decrease of $63.6 million over the end of the prior year. The decrease is due to expenditures increasing at a faster rate than revenue sources, across various city functions, debt service payment and in particular, capital outlay which had increased by $129.9 million or 84.6 percent.

A total of $191.6 million of the fund balance in the governmental funds constitutes unreserved fund balance. This is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder is reserved, an indication that it is not available for new spending because it has already been committed. These commitments include support for: (1) a General Fund "rainy day" reserve ($133.6 million), (2) encumbrances for existing contracts and purchase orders ($349.9 million), (3) funds continued for programs or projects in future fiscal years ($493.4 million), (3) debt service ($51.3 million), and (4) for assets not available for appropriation ($32.1 million).

The General Fund is the chief operating fund of the City and had an unreserved fund balance of $141.0 million at the end of fiscal year 2006-2007, a slight increase of $2.1 million over the fiscal year 2005-2006 unreserved fund balance of $139.0 million. The General Fund's total fund balance was $541.5 million for fiscal year 2006-2007, a 17.4 percent improvement over the prior-year balance of $461.3 million. This increase was mainly due to a total increase in revenues of $174.9 million or 7.1 percent primarily from property, business, other local taxes and interest and investment income which was partially offset by an increase of $193.7 million or 9.8 percent in expenditures. Overall for the fiscal year ended June 30, 2007, the General Fund's revenues exceeding expenditures by $487.3 million, before transfers and other items are considered.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For fiscal year 2006-2007, the unreserved fund balance of $141.0 million represents 6.5 percent of total General Fund expenditures of $2.16 billion, and the total fund balance represents approximately 25.1 percent of that amount. For the prior fiscal year, 2005-2006, the General Fund's unreserved fund balance of $139.0 million was 7.1 percent of the total expenditures of $1.97 billion, and the total fund balance represented approximately 23.4 percent of expenditures.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-activities section of the government-wide financial statements, but in more detail.

At the end of fiscal year 2006-2007, the unrestricted net assets for the Airport were $245.2 million, the Water Enterprise $81.4 million, Hetch Hetchy $157 million, Wastewater $57.0 million, the Port $66.6 million, San Francisco General Hospital Medical Center $9.0 million, and the San Francisco Market Corporation $4 million. Two proprietary funds had a deficit in unrestricted net assets: the Municipal Transportation Agency had a deficit of $38.5 million; and Laguna Honda Hospital $14.7 million. The internal service funds that are used to account for certain governmental activities also had a deficit in unrestricted net assets of $5.6 million.

The total increase in net assets for the enterprise funds was $298.8 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

The following table shows actual revenues, expenses and results of operations for the current fiscal year in the City's proprietary funds (in thousands):

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions Special Items, and Others	Interfund Transfers	Change In Net Assets
Airport	$ 503,914	$ 431,059	$ 72,855	$ (94,590)	$ 46,902	$ (23,348)	1,819
Water	216,531	202,498	14,033	1,242	-	(9,763)	5,512
Hetch Hetchy	108,224	95,020	13,204	10,586	-	-	23,790
Municipal Transportation Agency	222,115	722,412	(500,297)	243,020	100,954	247,913	91,590
General Hospital	373,525	527,452	(153,927)	64,752	-	98,031	8,856
Wastewater Enterprise	193,411	151,600	41,811	(8,910)	-	(28)	32,873
Port	61,193	61,140	53	2,268	19,610	-	21,931
Laguna Honda Hospital	141,567	185,420	(43,853)	17,282	-	138,366	111,795
Market Corporation	1,567	1,061	506	159	-	-	665
Total	$ 1,822,047	$ 2,377,662	$ (555,615)	$ 235,809	$ 167,466	$ 451,171	$ 298,831

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System and Health Service System, and manages the investment of monies held in trust to benefit public services or employees. As of the end of fiscal year 2006-2007, the net assets of the Retirement System and Health Service System totaled $17.0 billion, representing an increase of $2.46 billion in total net assets since June 30, 2006. This 16.9 percent increase is primarily due to a fourth year of improved performance of the Retirement Trust's investments. The Investment Trust Fund's net assets totaled $646.2 million, an increase in net assets of $98.7 million or 18 percent since June 30, 2006 due to the increase in additions over withdrawals and distributions to external participants of the fund.

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year. In fiscal year 2006-2007, the City approved $88.2 million in General Fund supplemental appropriations for various departments primarily for affordable housing, revenue-supported Baseline funding, revenue-supported Human Services program funding, capital projects and violence prevention initiatives.

During the year, actual revenues and other resources were $115.5 million more than budgeted. While the City realized $156.3 million more revenue than budgeted primarily due to higher property taxes, real property transfer taxes, hotel room taxes, health and welfare realignment subventions, parking taxes, interest and investment income, and business taxes, these increases were partially offset by $40.8 million less revenue than budgeted primarily due to lower Federal and State subvention and grant funding, General Government & Health-related service charges as well as Recreation & Park rental revenues. Overall revenue shortfalls were more than offset by expenditure savings, most notably in Health and Human Service programs. General Fund budgetary comparisons are on shown on pages 31-33.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $82.9 million in appropriation savings. This is primarily due to the following factors:

- A savings of $18.3 million in the Department of Public Health, due largely to savings related to the Mental Health and Public Health programs. These savings are largely offset by mental and public health-related revenue shortfalls in intergovernmental and service charge revenues noted above.

- A savings of $13.9 million in the Human Services Agency, due largely to lower program costs related to CalWORKS Childcare and Aid, Family & Children's Services, Childcare, Homeless Services, General Assistance Aid, Administrative Support, and Employment & Self-Sufficiency Programs. These savings are partially offset by reductions in Human Service revenues, most notably in federal social service funding discussed above.

- A savings of $14.9 million in transfers to other funds primarily due to higher hospital revenues, which in turn resulted in lower required subsidy transfers for San Francisco General Hospital and Laguna Honda Hospital.

- A close-out savings of $22.9 million in budgetary reserves and designations largely due to unspent General Reserve savings not used for supplemental appropriation or other contingencies during fiscal year 2006-2007.

As a result of the strong revenue growth, the City again made deposits into the Rainy Day Reserves during fiscal year 2006-2007, resulting in an additional $19.6 million into the Economic Stabilization Account and an additional $9.8 million into the One-Time Spending Account. Combined these two Rainy Day Reserve accounts totaled $133.6 million by fiscal year end 2006-2007.

The net effect of the strong revenue growth, expenditure savings and record deposits into the Rainy Day Reserve accounts was a positive budgetary fund balance available for subsequent year appropriation of $131.9 million at the end of fiscal year 2006-2007. The City's fiscal year 2007-2008 Adopted Original Budget assumed an available balance of $118.9 million, so an additional $13.0 million remains available. (See also Note 4 to the Basic Financial Statements for additional fund balance details.)

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2007, increased by $564.4 million, 5.0 percent, to $11.8 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. Governmental activities contributed $225.9 million or 2.0 percent to this total while $338.5 million or 3.0 percent was from business-type activities. Details are shown in the table below.

Capital Assets, Net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 151,917	$ 143,640	$ 195,722	$ 194,783	$ 347,639	$ 338,423
Facilities and Improvement..	2,108,299	1,884,952	6,042,922	5,974,331	8,151,221	7,859,283
Machinery and equipment....	53,546	44,782	773,585	799,846	827,131	844,628
Infrastructure	261,179	240,601	725,729	464,477	986,908	705,078
Property held under lease....	-	-	2,484	2,607	2,484	2,607
Easements	-	-	72,403	79,358	72,403	79,358
Construction in progress.....	325,828	360,887	1,054,689	1,013,652	1,380,517	1,374,539
Total	$ 2,900,769	$ 2,674,862	$ 8,867,534	$ 8,529,054	$ 11,768,303	$ 11,203,916

Major capital asset events during the current fiscal year included the following:

- Under governmental activities, net capital assets increased by $225.9 million. This included the purchase and improvement of two office buildings totaling $114.4 million funded by Certificate of Participation Series 2007 A and B. The remaining $111.5 million increase was mainly due to construction-in-progress work at various park and recreational sites (including the Academy of Science and Steinhart Aquarium), branch libraries, as well as various street improvement and traffic signal upgrades, and work at Juvenile Hall. About $190.5 million worth of construction-in-progress work was substantially completed and capitalized as facilities and improvement and infrastructure as appropriate. These include the San Bruno Jail of $134.3 million, various branch libraries and certain public works projects.

- The Water Enterprise's net capital assets increased by $166.5 million. Close to 66.9 percent of the increase in net capital assets, or $111.4 million, reflects the net increase in construction-in-progress on the enterprise's ten-year water system improvement project. This change includes a $216.8 million increase in construction projects offset by $92.6 million in transfers to facilities and improvements, $2.5 million transfers to equipment, and $10.2 million expensed for projects not continued. The increase included Sunset Reservoir Rehabilitation and Upgrade, Bay Division Pipeline Seismic Upgrade and others Water System Improvement Program. The remaining net increase of $55.1 million reflects the increase to facilities, improvements and equipment less increase to depreciation.

- MTA's net capital assets increased by $72.8 million or 3.9 percent. Of the $72.8 million, MUNI's net capital assets increased by $79.5 million or 4.4 percent. Current year additions to construction-in-progress amounted to $161.6 million of which $73.0 million was for the Third Street Phase 1 and 2 projects, a major expansion of the transportation system in the City's southeast neighborhoods. Phase 1 construction was completed, conceptual engineering and the supplemental environmental process for Phase 2 continued. Other significant work in progress

included Motor Bus Hybrid Procurement, Trolley Overhead Reconstruction and New Central Subway. Parking and Traffic and the non-profit garages had a net decrease of $5.7 million and $1.0 million in net capital assets due to depreciation expenses exceeding asset acquisition.

- Laguna Honda Hospital's net capital assets increased by $101.4 million due almost entirely to construction-in-progress on the capital project to rebuild the hospital. This work is partially funded by the Laguna Honda General Obligation Bonds.

- The Port's net capital assets increased about 0.8 percent, or $2.2 million. This increase included completion of security projects at the Port's cruise, ferry and cargo facilities, improvements to parking lots and progress on wetlands enhancement, the Illinois Street Intermodal Bridge and others.

- Hetch Hetchy increased net capital assets by $8.7 million or 3.2 percent. This included the completion of a $5.5 million project (the Duct Bank project) and continued work to improve San Francisco electrical reliability power, various solar projects and pipeline works.

- The Airport reported a decrease in net capital assets of $35.8 million or 1.0 percent due largely to the net effect of depreciation against completed projects of the Near Term Master Plan for SFO in recent years. Major capital additions in the current fiscal year included Terminal 1 Airtrain Bridge and Mezzanine, Phased Reconstruction and Overlay Taxiways and improvements to Terminal Upper Level Viaduct and Air Cargo Explosive Detection System Program.

At the end of the year, the City's business-type activities had approximately $316.2 million in commitments for various capital projects. Of this, MTA had approximately $96.4 million, Water Enterprise had $140.5 million, Hetch Hetchy had $21.8 million, Wastewater had $37.5 million, Port had $5.6 million, Laguna Honda Hospital had $6.1 million and the Airport had $8.3 million. In addition, there was approximately $201.1 million reserved for encumbrances in capital project funds for the general government.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

For governmental activities, no net infrastructure assets were recorded in fiscal year 2000-2001 (the first year of presentation in the GASB 34 format), because the historical costs did not meet the threshold established by GASB. Beginning in fiscal year 2001-2002, newly completed projects are capitalized and ongoing infrastructure projects are accounted for in construction in progress.

Additional information about the City's capital assets can be found in Note 7 to the Basic Financial Statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term debt outstanding of $7.7 billion. Of this amount, $1.2 billion is general obligation bonds backed by the full faith and credit of the City and $6.5 billion is revenue bonds, loans, certificates of participation, capital leases, and other debts of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial papers and capital leases decreased by $31.0 million during fiscal year 2006-2007, primarily due to maturities of existing debt that exceeded the issuance of new debt in the business-type activities.

The City also took advantage of favorable interest rates to reduce debt payments by issuing $659.0 million in refunding bonds. Of this amount, the Airport issued $453.0 million, the Water Enterprise issued $48.7 million in refunding revenue bonds and the City issued a total of $157.3 million in general obligation refunding bonds. The City also made the first borrowing in the amount of $2.0 million on the Seismic Safety Loan Program general obligation bonds under the Board of Supervisors Resolution No. 65-07 for loans to finance the seismic retrofitting of masonry buildings within the City. In addition, the City issued $153.7 million in certificates of participation for the purchase and improvement of two office buildings and for the renovation of a City's office building. The City also issued, through the San Francisco Finance Corporation, $11.8 million in lease revenue bonds to finance equipment and $27.0 million to finance the design, construction and renovation of various parks located within the City. In addition, the City entered into a lease purchase transaction in the amount of $2.8 million for the telecommunication and computer equipment to establish the 311 Customer Service Center. The Wastewater issued commercial papers in the amount of $50.0 million.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the taxable assessed value of property in the City - approximately $124.98 billion in value as of the close of the fiscal year. As of June 30, 2007, the City had $1.15 billion in authorized, outstanding property tax–supported general obligation bonds, which is equal to approximately 0.89 percent of gross (0.92 percent of net) taxable assessed value of property. As of June 30, 2007, there were an additional $344.1 million in bonds that were authorized but un-issued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.2 percent of gross taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2007 were:

Moody's Investors Service, Inc.	Aa3
Standard and Poor's	AA
Fitch Ratings	AA-

During the fiscal year, Moody's Investors Service, Inc. affirmed its rating and revised its rating outlook from stable to positive, and Standard and Poor's affirmed it rating with a stable outlook. Fitch Ratings affirmed its ratings with the rating outlook on all the City's outstanding bonds as positive.

The City's enterprise activities maintained their underlying debt ratings this fiscal year. SFO's underlying debt ratings were upheld by Moody's Investors Service, Standard & Poor's, and Fitch Ratings at "A1", "A", and "A", respectively, with a stable rating outlook. With municipal bond insurance purchase for revenue bond issues, Moody's Investors Service, Standard and Poor's and Fitch Ratings have assigned SFO the ratings of "Aaa", "AAA", and "AAA" respectively. The Water Enterprise carried underlying ratings of "A1" and "A+" from Moody's and Standard and Poor's respectively, based on Municipal Bond Insurance Policies issued by MBIA and FSA and XL Capital Assurance, respectively.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic factors and next year's budget and rates

- By the end of fiscal year 2006-2007, San Francisco's economy was the healthiest it has been in several years. While the national downturn in housing prices, and associated credit crunch and macroeconomic uncertainty are genuine causes for concern, San Francisco has relatively less exposure to sub-prime mortgages than other parts of the State, so its property tax base is relatively more stable. Compared with other areas of the state and country, San Francisco is expected to weather any downturn comparatively well.

- Preliminary data indicate that the number of employed residents in San Francisco rose by 9,900 people between June 2006 and June 2007. Final annual employment data indicates that 12,200 new jobs were added in calendar year 2006. Combined with the 5,500 jobs added in 2005, San Francisco has added 17,700 new jobs in the last two years. This reversed four consecutive years of job loss from 2000 to 2004. Annual average unemployment for 2006 fell to 4.2 percent in San Francisco, the lowest point since the peak year of 2000, and the year-to-date average unemployment rate through June 2007 remained at 4 percent.

- Average wages in San Francisco have continued to grow at higher rates than the state or nation. San Francisco's average annual wage, across all industries, grew to $70,825 in calendar year 2006 – a 6.4 percent increase over calendar year 2005. By comparison, average wages nationally grew by only 4.5 percent and by 4.6 percent in California.

- The office market also continued its recovery in 2006-2007, with the vacancy rate declining from 14.8 percent in second quarter 2006 to 11.9 percent in second quarter 2007. During the same period, office rental rates increased 26.2 percent to $42.31 as of second quarter 2007, while the market experienced about 1.9 million square feet of net absorption. Office developers are taking advantage of this strong market: there is currently 1.8 million square feet of commercial space under construction.

- Despite the national housing slump, and relatively high levels of construction since 2004, housing prices have continued to increase at a healthy rate in the past year. The median home sales price was $825,000 in June 2007—a 4.4 percent increase from June 2006. In calendar year 2006, 2,828 housing units were constructed, indicating the continuing strength of San Francisco's housing market in the face of the national downturn. Another 5,025 units were under construction as of first quarter 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco
Office of the Controller
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport
Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Director of Accounting Financial Services
1155 Market Street, 4th Floor
San Francisco, CA 94103

Municipal Transportation Agency
MTA Finance and Administration
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

San Francisco General Hospital Medical Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

Port of San Francisco
Fiscal Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

Laguna Honda Hospital
Chief Financial Officer
375 Laguna Honda Blvd.
San Francisco, CA 94116

Health Service System
1145 Market Street, Suite 200
San Francisco, CA 94103

San Francisco Employees' Retirement System
Executive Director
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Component Unit Financial Statement

San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
100 Van Ness Avenue, 26th Floor
San Francisco, CA 94102

San Francisco Finance Corporation
Mayor's Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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Basic Financial Statements

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets

June 30, 2007

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
ASSETS					
Current assets:					
Deposits and investments with City Treasury	$ 1,349,860	$ 809,548	$ 2,159,408	$ -	$ 1,697
Deposits and investments outside City Treasury	109,870	11,351	121,221	234,887	-
Receivables (net of allowance for uncollectible amounts of $72,146 for the primary government):					
Property taxes and penalties	59,678	-	59,678	-	-
Other local taxes	186,183	-	186,183	-	-
Federal and state grants and subventions	161,667	54,141	215,808	-	-
Charges for services	30,596	206,180	236,776	-	-
Interest and other	31,520	41,597	73,117	7,644	43
Loans receivable	-	562	562	-	-
Capital lease receivable from primary government	-	-	-	16,045	
Due from component unit	932	-	932	-	-
Inventories	-	51,147	51,147	-	-
Deferred charges and other assets	10,952	2,592	13,544	-	-
Restricted assets:					
Deposits and investments with City Treasury	-	63,845	63,845	-	-
Deposits and investments outside City Treasury	-	45,251	45,251	68,942	-
Grants and other receivables	-	774	774	761	-
Total current assets	1,941,258	1,286,988	3,228,246	328,279	1,740
Noncurrent assets:					
Loans receivable (net of allowance for uncollectible amounts of $414,545 and $174,687 for the primary government and component units, respectively)	64,504	324	64,828	15,264	-
Advance to component unit	5,733	2,599	8,332	-	-
Capital lease receivable from primary government	-	-	-	166,708	-
Deferred charges and other assets	22,884	65,154	88,038	10,767	-
Restricted assets:					
Deposits and investments with City Treasury	-	448,786	448,786	-	-
Deposits and investments outside City Treasury	-	252,888	252,888	30,853	-
Grants and other receivables	-	41,533	41,533	358	-
Property held for resale	-	-	-	17,419	-
Capital assets:					
Land and other assets not being depreciated	477,745	1,250,411	1,728,156	126,469	-
Facilities, infrastructure, and equipment, net of depreciation	2,423,024	7,617,123	10,040,147	142,365	-
Total capital assets	2,900,769	8,867,534	11,768,303	268,834	-
Total noncurrent assets	2,993,890	9,678,818	12,672,708	510,203	-
Total assets	$ 4,935,148	$ 10,965,806	$ 15,900,954	$ 838,482	$ 1,740

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets *(Continued)*

June 30, 2007

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
LIABILITIES					
Current liabilities:					
Accounts payable	$ 191,652	$ 158,041	$ 349,693	$ 10,896	$ 2,999
Accrued payroll	70,895	54,436	125,331	-	-
Accrued vacation and sick leave pay	70,100	47,728	117,828	1,219	-
Accrued workers' compensation	38,963	30,829	69,792	-	-
Estimated claims payable	52,527	21,486	74,013	-	-
Bonds, loans, capital leases, and other payables	277,827	202,176	480,003	36,514	-
Capital lease payable to component unit	16,045	-	16,045	-	-
Accrued interest payable	8,781	14,185	22,966	25,301	-
Unearned grant and subvention revenues	4,557	-	4,557	-	-
Due to primary government	-	-	-	932	-
Internal balances	8,139	(8,139)	-	-	-
Deferred credits and other liabilities	123,626	108,521	232,147	502	296
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables	-	19,087	19,087	-	-
Accrued interest payable	-	25,411	25,411	-	-
Other	-	50,847	50,847	-	-
Total current liabilities	863,112	724,608	1,587,720	75,364	3,295
Noncurrent liabilities:					
Accrued vacation and sick leave pay	64,113	37,171	101,284	1,325	-
Accrued workers' compensation	155,726	115,610	271,336	-	-
Estimated claims payable	61,904	57,023	118,927	-	-
Bonds, loans, capital leases, and other payables	1,752,574	5,275,685	7,028,259	748,424	-
Advance from primary government	-	-	-	5,733	2,599
Capital lease payable to component unit	166,708	-	166,708	-	-
Accrued interest payable	-	-	-	60,291	-
Deferred credits and other liabilities	-	44,445	44,445	4,888	-
Total noncurrent liabilities	2,201,025	5,529,934	7,730,959	820,661	2,599
Total liabilities	3,064,137	6,254,542	9,318,679	896,025	5,894
NET ASSETS					
Invested in capital assets, net of related debt	1,454,614	3,795,006	5,249,620	65,487	-
Restricted for:					
Reserve for rainy day	133,622	-	133,622	-	-
Debt service	28,310	249,656	277,966	49,459	-
Capital projects	19,128	75,771	94,899	-	-
Community development	63,043	-	63,043	-	-
Transportation Authority activities	10,390	-	10,390	-	-
Grants and other purposes	176,350	23,709	200,059	17,419	-
Unrestricted (deficit)	(14,446)	567,122	552,676	(189,908)	(4,154)
Total net assets (deficit)	$ 1,871,011	$ 4,711,264	$ 6,582,275	$ (57,543)	$ (4,154)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities
Year ended June 30, 2007

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: San Francisco Redevelopment Agency	Component Units: Treasure Island Development Authority
Primary government:									
Governmental activities:									
Public protection	$ 870,381	$ 58,979	$ 113,387	$ -	$ (698,015)	$ -	$ (698,015)	$ -	$ -
Public works, transportation and commerce	309,095	111,364	44,488	30,846	(122,397)	-	(122,397)	-	-
Human welfare and neighborhood development	751,034	56,367	472,766	221	(221,680)	-	(221,680)	-	-
Community health	516,321	50,266	276,836	-	(189,219)	-	(189,219)	-	-
Culture and recreation	290,547	65,407	2,396	19,412	(203,332)	-	(203,332)	-	-
General administration and finance	185,961	10,502	12,378	-	(163,081)	-	(163,081)	-	-
General City responsibilities	67,948	29,604	5,005	-	(33,339)	-	(33,339)	-	-
Unallocated Interest on long-term debt	94,060	-	-	-	(94,060)	-	(94,060)	-	-
Total governmental activities	3,085,347	382,489	927,256	50,479	(1,725,123)	-	(1,725,123)	-	-
Business-type activities:									
Airport	624,832	503,914	-	46,902	-	(74,016)	(74,016)	-	-
Transportation	726,053	222,115	115,339	100,954	-	(287,645)	(287,645)	-	-
Port	61,937	61,193	-	2,224	-	1,480	1,480	-	-
Water	236,824	216,531	2,999	-	-	(17,294)	(17,294)	-	-
Power	95,020	108,224	-	-	-	13,204	13,204	-	-
Hospitals	714,349	515,092	64,963	-	-	(134,294)	(134,294)	-	-
Sewer	168,954	193,411	-	-	-	24,457	24,457	-	-
Market	1,061	1,567	-	-	-	506	506	-	-
Total business-type activities	2,629,030	1,822,047	183,301	150,080	-	(473,602)	(473,602)	-	-
Total primary government	$5,714,377	$2,204,536	$ 1,110,557	$ 200,559	(1,725,123)	(473,602)	(2,198,725)	-	-
Component units:									
San Francisco Redevelopment Agency	$ 128,622	$ 26,246	$ 8,964	$ -				(93,412)	
Treasure Island Development Authority	11,231	8,267	202	-				-	(2,76
Total component units	$ 139,853	$ 34,513	$ 9,166	$ -				(93,412)	(2,76
	General Revenues:								
	Taxes:								
	Property taxes				1,126,992	-	1,126,992	74,462	
	Business taxes				337,592	-	337,592	-	
	Other local taxes				668,824	-	668,824	5,478	
	Interest and investment income				86,233	85,692	171,925	16,518	15
	Other				33,046	218,184	251,230	11,810	1,05
	Special item				-	17,386	17,386	-	
	Transfers - internal activities of primary government				(451,171)	451,171	-	-	
	Total general revenues, special item and transfers				1,801,516	772,433	2,573,949	108,268	1,20
	Change in net assets				76,393	298,831	375,224	14,856	(1,55
	Net assets (deficit) - beginning				1,794,618	4,412,433	6,207,051	(72,399)	(2,59
	Net assets (deficit) - ending				$ 1,871,011	$ 4,711,264	$ 6,582,275	$ (57,543)	$ (4,15

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet
Governmental Funds

June 30, 2007
(with comparative financial information as of June 30, 2006)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2007	2006	2007	2006	2007	2006
ASSETS						
Deposits and investments with City Treasury	$ 489,610	$ 443,102	$ 849,221	$ 1,060,891	$ 1,338,831	$ 1,503,993
Deposits and investments outside City Treasury	225	1,465	51,518	22,287	51,743	23,752
Receivables:						
Property taxes and penalties	48,348	34,157	11,330	8,429	59,678	42,586
Other local taxes	171,134	154,505	15,049	13,952	186,183	168,457
Federal and state grants and subventions	84,416	63,843	77,251	90,243	161,667	154,086
Charges for services	22,239	17,117	8,357	5,077	30,596	22,194
Interest and other	15,346	6,184	15,041	9,035	30,387	15,219
Due from other funds	30,115	30,859	16,644	3,960	46,759	34,819
Due from component unit	5,707	3,848	958	958	6,665	4,806
Loans receivable (net of allowance for uncollectible amount of $414,545 in 2007; $383,869 in 2006)	-	-	64,504	74,041	64,504	74,041
Deferred charges and other assets	7,823	7,243	1,789	1,729	9,612	8,972
Total assets	$ 874,963	$ 762,323	$ 1,111,662	$ 1,290,602	$ 1,986,625	$ 2,052,925
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 99,151	$ 84,710	$ 82,424	$ 88,151	$ 181,575	$ 172,861
Accrued payroll	56,494	51,792	12,628	10,982	69,122	62,774
Deferred tax, grant and subvention revenues	44,122	33,473	22,899	30,442	67,021	63,915
Due to other funds	1,272	821	49,963	61,964	51,235	62,785
Deferred credits and other liabilities	132,463	130,251	83,270	94,755	215,733	225,006
Bonds, loans, capital leases, and other payables	-	-	150,000	150,000	150,000	150,000
Total liabilities	333,502	301,047	401,184	436,294	734,686	737,341
Fund balances:						
Reserved for rainy day	133,622	121,976	-	-	133,622	121,976
Reserved for assets not available for appropriation	12,665	10,710	19,413	20,202	32,078	30,912
Reserved for debt service	-	-	51,299	57,429	51,299	57,429
Reserved for encumbrances	60,948	38,159	288,948	423,120	349,896	461,279
Reserved for appropriation carryforward	161,127	124,009	292,234	294,340	453,361	418,349
Reserved for subsequent years' budgets	32,062	27,451	8,004	8,004	40,066	35,455
Unreserved (deficit), reported in:						
General fund	141,037	138,971	-	-	141,037	138,971
Special revenue funds	-	-	47,445	35,243	47,445	35,243
Capital project funds	-	-	(373)	13,662	(373)	13,662
Permanent fund	-	-	3,508	2,308	3,508	2,308
Total fund balances	541,461	461,276	710,478	854,308	1,251,939	1,315,584
Total liabilities and fund balances	$ 874,963	$ 762,323	$ 1,111,662	$ 1,290,602	$ 1,986,625	$ 2,052,925

The notes to the financial statements are an integral part of this statement.

City and County of San Francisco
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

(In Thousands)

Fund balances - total governmental funds	$ 1,251,939
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,895,233
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	17,165
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,253,472)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(7,033)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	158,203
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(191,024)
Net assets of governmental activities	$ 1,871,011

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2007
(with comparative financial information for year ended June 30, 2006)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2007	2006	2007	2006	2007	2006
Revenues:						
Property taxes	$ 887,690	$ 783,303	$ 220,174	$ 224,848	$ 1,107,864	$ 1,008,151
Business taxes	336,757	322,407	835	746	337,592	323,153
Other local taxes	540,695	480,501	128,129	115,163	668,824	595,664
Licenses, permits and franchises	19,639	20,825	7,789	6,837	27,428	27,662
Fines, forfeitures and penalties	4,720	10,195	4,151	4,254	8,871	14,449
Interest and investment income	30,089	22,496	53,757	47,550	83,846	70,046
Rents and concessions	18,449	20,007	34,044	32,419	52,493	52,426
Intergovernmental:						
Federal	183,573	182,448	198,115	168,537	381,688	350,985
State	479,748	490,187	102,918	75,802	582,666	565,989
Other	-	-	15,689	23,500	15,689	23,500
Charges for services	125,682	126,433	147,375	137,561	273,057	263,994
Other	21,697	15,037	22,387	46,528	44,084	61,565
Total revenues	2,648,739	2,473,839	935,363	883,745	3,584,102	3,357,584
Expenditures:						
Current:						
Public protection	809,075	739,470	56,481	47,928	865,556	787,398
Public works, transportation and commerce	65,184	46,448	215,723	228,221	280,907	274,669
Human welfare and neighborhood development	568,241	524,516	171,930	172,586	740,171	697,102
Community health	410,169	377,226	99,675	94,515	509,844	471,741
Culture and recreation	93,992	80,516	192,143	176,463	286,135	256,979
General administration and finance	157,981	146,567	9,524	14,628	167,505	161,195
General City responsibilities	56,834	53,065	698	698	57,532	53,763
Debt service:						
Principal retirement	-	-	98,169	86,970	98,169	86,970
Interest and fiscal charges	-	-	71,266	75,975	71,266	75,975
Bond issuance costs	-	-	3,683	1,933	3,683	1,933
Capital outlay	-	-	283,370	153,493	283,370	153,493
Total expenditures	2,161,476	1,967,808	1,202,662	1,053,410	3,364,138	3,021,218
Excess (deficiency) of revenues over expenditures	487,263	506,031	(267,299)	(169,665)	219,964	336,366
Other financing sources (uses):						
Transfers in	71,277	62,431	146,021	162,092	217,298	224,523
Transfers out	(486,600)	(420,086)	(182,247)	(135,069)	(668,847)	(555,155)
Issuance of bonds and loans						
Face value of bonds issued	-	-	312,955	219,120	312,955	219,120
Face value of loans issued	-	-	141	5,359	141	5,359
Premium on issuance of bonds	-	-	3,521	10,233	3,521	10,233
Discount on issuance of bonds	-	-	(1,856)	-	(1,856)	-
Payment to refunded bond escrow agent	-	-	(159,610)	-	(159,610)	-
Other financing sources-capital leases	8,245	5,220	4,544	1,662	12,789	6,882
Total other financing sources (uses)	(407,078)	(352,435)	123,469	263,397	(283,609)	(89,038)
Net change in fund balances	80,185	153,596	(143,830)	93,732	(63,645)	247,328
Fund balances at beginning of year	461,276	307,680	854,308	760,576	1,315,584	1,068,256
Fund balances at end of year	$ 541,461	$ 461,276	$ 710,478	$ 854,308	$ 1,251,939	$ 1,315,584

The notes to the financial statements are an integral part of this statement.

City and County of San Francisco

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2007

(In Thousands)

Net change in fund balances - total governmental funds	$	(63,645)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period plus assets donated to the City and acquired by funding from other revenues.		224,846
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the decrease in certain liabilities reported in the statement of net assets of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.		(39,293)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		19,128
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.		5,783
Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding expense is not reported on the statement of activities.		(30,723)
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.		19,700
Bond issue costs are reported in the governmental funds when paid, and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issue costs exceed amortization expense in the current period.		2,828
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.		(58,099)
Bond premiums and discounts are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net assets. This is the amount of bond premiums capitalized during the current period.		(1,665)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses; and change in the accrual of arbitrage liabilities.		(13,229)
The net revenues of certain activities of internal service funds is reported with governmental activities.		10,762
Change in net assets of governmental activities	$	76,393

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 125,105	$ 478,001	$ 478,001	$ -
Resources (Inflows):				
Property taxes	537,543	537,543	594,805	57,262
Business taxes	332,168	332,168	336,757	4,589
Other local taxes:				
Sales tax	106,236	106,236	107,813	1,577
Hotel room tax	125,907	125,907	143,070	17,163
Utility users tax	79,438	79,438	78,729	(709)
Parking tax	36,052	36,347	84,783	48,436
Real property transfer tax	105,000	105,000	143,978	38,978
Stadium admission tax	2,878	2,878	2,342	(534)
Licenses, permits, and franchises:				
Licenses and permits	7,069	7,069	7,225	156
Franchise tax	13,848	13,848	14,915	1,067
Fines, forfeitures, and penalties	4,599	4,599	4,720	121
Interest and investment income	33,989	33,994	40,118	6,124
Rents and concessions:				
Garages - Recreation and Park	9,272	9,272	10,600	1,328
Rents and concessions - Recreation and Park	9,252	9,252	6,090	(3,162)
Other rents and concessions	1,614	1,614	1,759	145
Intergovernmental:				
Federal subventions:				
Health and social service subventions	185,430	175,735	179,696	3,961
Other grants and subventions	9,843	9,155	3,878	(5,277)
State subventions:				
Social service subventions	95,111	100,866	95,854	(5,012)
Health / mental health subventions	107,408	108,035	99,270	(8,765)
Health and welfare realignment	165,199	165,199	172,431	7,232
Public safety sales tax	74,030	74,030	69,286	(4,744)
Motor vehicle in-lieu - county	5,604	5,604	4,672	(932)
Other grants and subventions	22,923	29,059	38,434	9,375
Charges for services:				
General government service charges	43,739	43,739	38,802	(4,937)
Public safety service charges	24,148	24,761	25,648	887
Recreation charges - Recreation and Park	7,079	7,079	6,208	(871)
MediCal, MediCare and health service charges	59,210	57,755	55,027	(2,728)
Other financing sources:				
Transfers from other funds	57,159	62,659	62,233	(426)
Proceeds from issuance of bonds and loans	901	901	-	(901)
Other resources (inflows)	17,948	13,809	12,364	(1,445)
Total amounts available for appropriation	$ 2,704,917	$ 3,083,847	$ 3,199,305	$ 115,458

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 10,800	$ 10,978	$ 10,729	$ 249
District Attorney	29,998	30,430	30,352	78
Emergency Communications	5,216	5,400	5,187	213
Fire Department	222,083	225,585	225,234	351
Juvenile Probation	36,452	34,259	33,902	357
Police Department	301,505	307,766	307,046	720
Public Defender	22,044	21,770	21,637	133
Sheriff	141,531	136,622	136,593	29
Trial Courts	31,256	31,272	31,261	11
Subtotal - Public Protection	800,885	804,082	801,941	2,141
Public Works, Transportation and Commerce				
Board of Appeals	570	579	575	4
Business and Economic Development	4,039	3,187	3,097	90
Clean Water	197	210	188	22
General Services Agency - Public Works	33,928	51,379	50,942	437
Hetch Hetchy	-	29	29	-
Parking and Traffic Commission	-	266	247	19
Public Utilities Commission	-	29	22	7
Subtotal - Public Works, Transportation and Commerce	38,734	55,679	55,100	579
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	23,003	22,056	21,043	1,013
Commission on the Status of Women	2,855	3,695	3,611	84
County Education Office	74	74	74	-
Environment	1,420	1,110	1,036	74
Human Rights Commission	1,120	1,127	1,127	-
Human Services	561,209	550,519	536,636	13,883
Subtotal - Human Welfare and Neighborhood Development	589,681	578,581	563,527	15,054
Public Health	424,786	428,460	410,169	18,291
Culture and Recreation				
Academy of Sciences	2,245	2,245	2,245	-
Art Commission	7,659	7,632	7,630	2
Asian Art Museum	7,136	6,773	6,707	66
Fine Arts Museum	9,551	9,818	9,818	-
Law Library	589	598	597	1
Recreation and Park Commission	71,789	66,025	65,953	72
Subtotal - Culture and Recreation	98,969	93,091	92,950	141

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	10,840	11,034	10,959	75
Board of Supervisors	10,833	10,166	10,013	153
City Attorney	10,538	11,094	10,952	142
City Planning	20,534	19,979	19,443	536
Civil Service	590	624	609	15
Controller	18,664	18,976	18,024	952
Elections	8,602	9,872	9,847	25
Ethics Commission	8,416	2,271	1,828	443
General Services Agency - Administrative Services	64,772	46,098	44,764	1,334
General Services Agency - Telecomm. and Info. Services	2,365	4,335	4,196	139
Human Resources	14,031	9,828	9,407	421
Mayor	8,359	12,283	11,693	590
Retirement Services	396	374	374	-
Treasurer/Tax Collector	23,031	21,384	20,583	801
Subtotal - General Administration and Finance	201,971	178,318	172,692	5,626
General City Responsibilities				
General City Responsibilities	60,101	61,834	58,540	3,294
Other financing uses:				
Transfers to other funds	429,313	498,202	483,268	14,934
Budgetary reserves and designations	60,377	22,856	-	22,856
Total charges to appropriations	2,704,817	2,721,103	2,638,187	82,916
Total Sources less Current Year Uses	-	362,744	561,118	198,374
Budgetary Reserves Carried Forward into Subsequent Year		39,340	2,317	(37,023)
New Deposits into Rainy Day Reserves from Current Year				
Economic Stabilization Account		19,646	-	(19,646)
One-Time Spending Account		9,823	-	(9,823)
Budgetary Fund Balance, June 30		$ 431,553	$ 563,435	$ 131,882

Explanation of differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$3,199,305
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(478,001)
Property tax revenue - Teeter Plan	(7,135)
Unrealized gain/(loss) on investment	189
Interest earnings / charges from other funds being reclassified	(10,216)
Interest earnings from agency funds reclassified as other revenues	9,333
Other budget to GAAP differences	(2,503)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(62,233)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$2,648,739
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$2,638,187
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation & Other Vendors	8,245
Other budget to GAAP differences	(236)
Loans to Redevelopment Agency for Visitation Valley & Bay View Hunters Point	(1,452)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(483,268)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$2,161,476

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds
June 30, 2007
(with comparative financial information as of June 30, 2006)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund			Governmental Activities-Internal Service Funds	
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2007	Total 2006	2007	2006
ASSETS													
Current Assets:													
Deposits and investments with City Treasury	$ 263,176	$ 105,730	$146,172	$ 110,650	$ 50,910	$ 52,222	$ 80,688	$ -	$ -	$ 809,548	$ 681,935	$ 11,029	$ 7,943
Deposits and investments outside City Treasury	10	40	10	7,007	10	-	5	1	4,268	11,351	9,758	58,127	25,133
Receivables (net of allowance for uncollectible amounts of $32,789 and $41,774 in 2007 and 2006, respectively):													
Federal and state grants and subventions	-	-	-	49,546	3,024	-	1,571	-	-	54,141	57,707	-	-
Charges for services	37,733	44,287	10,005	7,548	41,371	30,661	5,318	29,245	12	206,180	194,800	-	78
Interest and other	4,425	2,126	3,531	8,921	21,889	705	-	-	-	41,597	43,787	1,133	835
Loans receivable	-	-	132	430	-	-	-	-	-	562	132	23,332	21,855
Due from other funds	-	208	15,033	25,567	-	-	-	-	-	40,808	45,633	-	-
Inventories	60	1,563	270	42,884	3,946	-	1,245	1,179	-	51,147	53,051	-	-
Deferred charges and other assets	1,493	-	-	1,039	-	-	37	-	23	2,592	3,531	-	149
Restricted assets:													
Deposits and investments with City Treasury	15,099	-	-	-	-	-	5,789	42,957	-	63,845	54,218	-	-
Deposits and investments outside City Treasury	40,226	-	-	-	-	-	5,025	-	-	45,251	45,306	-	-
Grants and other receivables	605	-	-	-	-	-	169	-	-	774	36	-	-
Total current assets	362,827	153,954	175,153	253,592	121,150	83,588	99,847	73,382	4,303	1,327,796	1,189,894	93,621	55,993
Noncurrent assets:													
Deferred charges and other assets	49,162	7,627	-	1,568	-	2,893	3,904	-	-	65,154	72,632	3,388	2,551
Loans receivable	-	-	324	-	-	-	-	-	-	324	455	227,865	210,947
Due from component unit	-	-	2,599	-	-	-	-	-	-	2,599	-	-	-
Restricted assets:													
Deposits and investments with City Treasury	127,843	219,521	-	16,417	-	85,005	-	-	-	448,786	617,925	-	-
Deposits and investments outside City Treasury	159,020	56,215	-	34,695	17	15	2,146	780	-	252,888	265,093	-	-
Grants and other receivables	31,307	3,578	-	5,019	-	1,084	-	545	-	41,533	61,670	-	-
Capital assets:													
Land and other assets not being depreciated	70,931	329,375	63,340	323,681	6,262	65,024	155,007	236,791	-	1,250,411	1,208,435	-	-
Facilities, infrastructure, and equipment, net of depreciation	3,570,010	744,880	215,480	1,638,986	47,970	1,270,446	117,355	7,406	4,590	7,617,123	7,320,619	5,536	4,475
Total capital assets	3,640,941	1,074,255	278,820	1,962,667	54,232	1,335,470	272,362	244,197	4,590	8,867,534	8,529,054	5,536	4,475
Total noncurrent assets	4,008,273	1,361,196	281,743	2,020,366	54,249	1,424,467	278,412	245,522	4,590	9,678,818	9,546,829	236,789	217,973
Total assets	4,371,100	1,515,150	456,896	2,273,958	175,399	1,508,055	378,259	318,904	8,893	11,006,614	10,736,723	330,410	273,966

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds *(Continued)*
June 30, 2007
(with comparative financial information as of June 30, 2006)
(In Thousands)

	Business-type Activities - Enterprise Funds											Governmental Activities-Internal Service Funds	
	Major Funds								Other Fund	Total			
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	2007	2006	2007	2006
LIABILITIES													
Current liabilities:													
Accounts payable	37,769	7,659	9,950	64,170	26,254	4,493	4,617	3,008	121	158,041	121,868	10,077	5,904
Accrued payroll	6,625	5,528	1,062	18,808	12,290	2,796	1,063	6,264	-	54,436	46,498	1,773	1,603
Accrued vacation and sick leave pay	6,733	5,761	1,276	15,465	9,334	2,588	1,083	5,488	-	47,728	43,162	1,974	1,869
Accrued workers' compensation	1,141	1,699	428	20,423	3,713	804	478	2,143	-	30,829	35,466	145	216
Estimated claims payable	15	1,652	1,658	15,425	-	2,136	600	-	-	21,486	24,629	-	-
Due to other funds	28	4,815	-	8,121	2,085	-	-	17,620	-	32,669	17,667	3,663	-
Deferred credits and other liabilities	48,769	13,238	366	6,579	35,602	-	3,100	710	157	108,521	91,061	58,535	29,675
Accrued interest payable	-	7,574	-	336	-	6,143	132	-	-	14,185	18,472	1,748	1,305
Bonds, loans, capital leases, and other payables	75,083	19,170	107	8,189	1,183	97,837	88	519	-	202,176	142,119	21,510	20,672
Liabilities payable from restricted assets:													
Bonds, loans, capital leases, and other payables	15,017	-	-	-	-	-	4,070	-	-	19,087	17,393	-	-
Accrued interest payable	25,209	-	-	-	-	-	202	-	-	25,411	26,321	-	-
Other	8,614	29,245	-	1,456	-	4,090	6,428	1,014	-	50,847	38,331	-	-
Total current liabilities	225,003	96,341	14,847	158,972	90,461	120,887	21,861	36,766	278	765,416	623,007	99,425	61,244
Noncurrent liabilities:													
Accrued vacation and sick leave pay	6,102	5,410	1,039	11,045	6,852	2,142	855	3,726	-	37,171	36,381	1,865	2,061
Accrued workers' compensation	3,636	6,647	1,758	73,488	16,047	3,340	2,269	8,425	-	115,610	126,188	609	889
Estimated claims payable	25	5,282	3,124	41,517	-	6,575	500	-	-	57,023	53,154	-	-
Deferred credits and other liabilities	-	1,307	-	31,293	-	9	11,836	-	-	44,445	46,757	-	-
Bonds, loans, capital leases, and other payables	3,819,592	961,589	283	64,351	2,180	415,852	11,240	598	-	5,275,685	5,438,803	228,786	211,008
Total noncurrent liabilities	3,829,355	980,235	6,204	221,694	25,079	427,918	26,700	12,749	-	5,529,934	5,701,283	231,260	213,958
Total liabilities	4,054,358	1,076,576	21,051	380,666	115,540	548,805	48,561	49,515	278	6,295,350	6,324,290	330,685	275,202
NET ASSETS													
Invested in capital assets, net of related debt	(122,134)	300,996	278,820	1,874,735	50,869	901,113	262,937	243,080	4,590	3,795,006	3,438,397	5,335	4,292
Restricted:													
Debt service	159,020	56,196	-	33,333	-	1,107	-	-	-	249,656	256,055	-	-
Capital projects	34,641	-	-	-	-	-	154	40,976	-	75,771	148,957	-	-
Other purposes	-	-	-	23,709	-	-	-	-	-	23,709	32,354	-	-
Unrestricted (deficit)	245,215	81,382	157,025	(38,485)	8,990	57,030	66,607	(14,667)	4,025	567,122	536,670	(5,610)	(5,528)
Total net assets (deficit)	$ 316,742	$ 438,574	$ 435,845	$ 1,893,292	$ 59,859	$959,250	$329,698	$ 269,389	$ 8,615	$4,711,264	$4,412,433	$ (275)	$ (1,236)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2007
(with comparative financial information for year ended June 30, 2006)
(In Thousands)

	Business-type Activities - Enterprise Funds													
	Major Funds								Other Fund	Total		Governmental Activities-Internal Service Funds	
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	2007	2006	2007	2006
Operating revenues													
Aviation	$ 296,368	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 298,368	$ 263,422	$ -	$ -
Water and power service	-	202,787	108,009	-	-	-	-	-	-	310,796	329,230	-	-
Passenger fees	-	-	-	141,518	-	-	-	-	-	141,518	134,553	-	-
Net patient service revenue	-	-	-	-	384,211	-	-	140,843	-	505,054	457,571	-	-
Sewer service	-	-	-	-	-	176,344	-	-	-	178,344	159,281	-	-
Rents and concessions	88,225	9,929	215	32,134	2,464	-	47,781	-	-	180,748	174,621	19	61
Parking and transportation	87,428	-	-	40,470	-	-	10,514	-	-	118,412	104,725	-	-
Other charges for services	-	-	-	2,108	-	-	-	-	1,567	3,673	3,655	111,520	98,943
Other revenues	51,893	3,815	-	5,887	6,850	17,067	2,898	724	-	89,134	87,430	-	-
Total operating revenues	503,914	216,531	108,224	222,115	373,525	193,411	61,193	141,567	1,567	1,822,047	1,714,488	111,539	99,004
Operating expenses:													
Personal services	163,945	87,200	28,992	488,359	307,828	58,789	24,235	157,801	205	1,295,354	1,131,815	46,983	42,648
Contractual services	53,148	12,437	5,711	44,465	132,974	11,538	3,728	6,394	564	270,957	241,085	35,682	30,948
Light, heat and power	18,515	-	24,892	1,065	-	-	1,808	-	-	48,278	69,754	-	-
Materials and supplies	11,016	10,661	2,339	41,957	62,117	9,526	1,510	14,075	2	153,203	134,114	18,404	16,678
Depreciation and amortization	142,807	43,895	10,919	92,942	6,832	38,883	10,253	1,098	282	345,709	368,463	1,700	1,185
General and administrative	8,683	4,523	11,687	32,977	494	4,143	1,757	-	7	64,251	127,660	408	485
Services provided by other departments	12,425	33,242	3,301	41,641	17,197	28,010	11,184	6,054	-	153,054	148,183	5,072	4,834
Other	20,540	10,540	7,179	1,006	10	2,913	8,867	-	1	48,856	51,381	2,698	2,415
Total operating expenses	431,059	202,498	95,020	722,412	527,452	151,800	81,140	185,420	1,061	2,377,662	2,270,435	110,925	99,193
Operating income (loss)	72,855	14,033	13,204	(500,297)	(153,927)	41,811	53	(43,853)	508	(555,615)	(555,947)	614	(189)
Nonoperating revenues (expenses):													
Operating grants:													
Federal	-	2,999	-	6,008	-	-	-	-	-	9,007	24,455	-	-
State / other	-	-	-	109,331	64,963	-	-	-	-	174,294	164,217	-	-
Interest and investment income	38,272	24,547	6,478	6,609	-	5,749	4,223	1,655	159	85,692	53,161	9,382	7,966
Interest expense	(193,773)	(34,326)	-	(3,641)	(211)	(17,354)	(797)	(1,266)	-	(251,388)	(254,204)	(9,565)	(8,200)
Other, net	62,911	8,022	4,108	124,713	-	2,695	(1,158)	16,893	-	218,184	272,873	-	28
Total nonoperating revenues (expenses)	(94,590)	1,242	10,586	243,020	64,752	(8,910)	2,288	17,282	159	235,809	260,502	(203)	(206)
Income (loss) before capital contributions, transfers and special item	(21,735)	15,275	23,790	(257,277)	(89,175)	32,901	2,321	(26,571)	665	(319,806)	(295,445)	411	(395)
Capital contributions	46,902	-	-	100,954	-	-	2,224	-	-	150,080	110,403	-	-
Transfers in	-	-	-	256,196	130,224	-	-	138,368	-	524,786	395,685	550	638
Transfers out	(23,348)	(9,763)	-	(8,283)	(32,193)	(28)	-	-	-	(73,615)	(65,689)	-	-
Net income before special item	1,819	5,512	23,790	91,590	8,856	32,873	4,545	111,795	665	281,445	144,954	961	241
Special item	-	-	-	-	-	-	17,386	-	-	17,386	-	-	-
Change in net assets	1,819	5,512	23,790	91,590	8,856	32,873	21,931	111,795	665	298,831	144,954	961	241
Net assets (deficit) at beginning of year	314,923	433,062	412,055	1,801,702	51,003	928,377	307,767	157,594	7,950	4,412,433	4,267,479	(1,236)	(1,477)
Net assets (deficit) at end of year	$ 316,742	$ 438,574	$ 435,845	$ 1,893,292	$ 59,859	$ 959,250	$ 329,898	$ 289,389	$ 8,615	$ 4,711,264	$ 4,412,433	$ (275)	$ (1,238)

The notes to the financial statements are an integral part of this statement.

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007
(with comparative financial information for year ended June 30, 2006)

(In Thousands)

	Business-type Activities - Enterprise Funds													
	Major Funds								Other Fund					
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2007	Total 2006	Governmental Activities-Internal Service Funds 2007	Governmental Activities-Internal Service Funds 2006
Cash flows from operating activities:													
Cash received from customers, including cash deposits	$ 522,919	$ 203,038	$ 119,456	$ 259,403	$ 368,334	$ 187,337	$ 9,076	$ 137,061	$ 1,571	$ 1,808,195	$ 1,685,826	$ 140,277	$ 118,313
Cash received from tenants for rent	-	9,853	215	2,745	2,464	-	51,481	-	-	66,758	62,692	-	-
Cash paid to employees for services	(162,819)	(83,280)	(28,291)	(474,378)	(305,449)	(57,393)	(24,085)	(157,829)	(205)	(1,293,729)	(1,070,451)	(47,253)	(42,268)
Cash paid to suppliers for goods and services	(116,362)	(54,718)	(52,917)	(182,504)	(202,659)	(52,015)	(24,318)	(26,638)	(590)	(712,721)	(844,296)	(65,264)	(59,230)
Cash paid for judgments and claims	-	(5,415)	(2,687)	(10,752)	-	(1,118)	(160)	-	-	(20,132)	(22,081)	-	-
Net cash provided by (used in) operating activities	243,738	69,478	35,776	(405,486)	(137,310)	76,811	11,994	(47,406)	776	(151,629)	(188,310)	27,760	16,815
Cash flows from noncapital financing activities:													
Operating grants	-	2,999	-	244,053	63,868	-	-	-	-	310,920	281,258	-	-
Transfers in	-	-	-	227,150	130,224	-	-	47,116	-	404,490	385,038	550	636
Transfers out	(23,348)	(4,949)	-	(17,728)	(32,193)	(28)	-	-	-	(78,246)	(71,581)	-	-
Transit Impact Development fees received	-	-	-	1,309	-	-	-	-	-	1,309	410	-	-
Claims settlement proceeds	2,293	-	-	-	-	-	-	-	-	2,293	10,642	-	-
Other noncapital financing increases	-	-	4,108	14,072	-	444	-	2,176	-	20,800	38,853	-	-
Other noncapital financing decreases	(3,121)	-	-	-	(208)	-	-	-	-	(3,329)	(908)	-	-
Net cash provided by (used in) noncapital financing activities	(24,176)	(1,950)	4,108	468,856	161,691	416	-	49,292	-	658,237	643,712	550	636
Cash flows from capital and related financing activities:													
Capital grants	67,342	-	-	131,968	-	-	2,079	18,893	-	218,282	121,934	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	32,132	-	-
Bond sale proceeds and loans received	-	-	-	-	-	-	-	-	-	-	630,135	38,687	19,671
Principal payments on commercial paper borrowings	-	-	-	-	-	-	-	-	-	-	(120,000)	-	-
Proceeds from sale of capital assets	18	6,169	18	29	-	2,410	70	-	-	8,714	81	-	-
Proceeds from commercial paper borrowings	-	-	-	-	-	50,000	-	-	-	50,000	40,000	-	-
Proceeds from passenger facility charges	66,166	-	-	-	-	-	-	-	-	66,166	59,327	-	-
Acquisition of capital assets	(111,643)	(195,208)	(20,005)	(148,870)	(7,096)	(58,833)	(12,877)	(102,460)	(44)	(657,036)	(461,956)	(2,547)	(1,455)
Retirement of capital leases, bonds and loans	(79,415)	(48,955)	-	(10,202)	(437)	(49,875)	(4,059)	(548)	-	(193,491)	(230,056)	(20,533)	(19,321)
Bond issue costs paid	(881)	-	-	-	-	-	-	-	-	(881)	(1,537)	(504)	(319)
Interest paid on debt	(188,274)	(15,684)	-	(3,569)	(211)	(20,968)	(600)	(1,266)	-	(230,572)	(251,130)	(8,708)	(7,575)
Other capital financing increases	-	-	-	7,976	-	-	17,386	91,250	-	116,612	5,906	-	-
Other capital financing decreases	(6,177)	(1,419)	(104)	(25)	-	-	(1,473)	-	-	(9,198)	(7,092)	-	-
Net cash provided by (used in) capital and related financing activities	(252,864)	(255,097)	(20,091)	(22,693)	(7,744)	(77,266)	526	3,869	(44)	(631,404)	(182,256)	6,395	(8,999)
Cash flows from investing activities:													
Purchases of investments with trustees	(1,136,705)	(46,766)	-	-	-	-	-	-	(13,884)	(1,197,355)	(1,465,657)	(56,540)	-
Proceeds from sale of investments with trustees	1,129,585	69,633	-	28,264	-	-	-	-	10,169	1,237,651	1,413,568	21,473	-
Interest and investment income	37,448	22,446	4,450	5,177	-	4,790	3,448	1,655	181	79,575	54,769	1,791	773
Other investing activities	-	1,889	-	-	(5)	-	-	49	-	1,933	551	(418)	(402)
Net cash provided by (used in) investing activities	30,328	47,202	4,450	33,441	(5)	4,790	3,448	1,704	(3,554)	121,804	3,231	(33,692)	371
Net increase (decrease) in cash and cash equivalents	(2,974)	(140,367)	24,243	74,118	16,632	4,751	15,968	7,459	(2,822)	(2,992)	276,377	1,013	8,823
Cash and cash equivalents-beginning of year	406,580	465,658	121,939	93,480	34,288	132,478	75,177	35,499	3,376	1,368,473	1,092,096	33,076	24,253
Cash and cash equivalents-end of year	$ 403,606	$ 325,291	$ 146,182	$ 167,598	$ 50,920	$ 137,227	$ 91,145	$ 42,958	$ 554	$ 1,365,481	$ 1,368,473	$ 34,089	$ 33,076

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows *(Continued)*
Proprietary Funds

Year ended June 30, 2007
(with comparative financial information for year ended June 30, 2006)
(In Thousands)

	Business-type Activities - Enterprise Funds													
	Major Funds								Other Fund				Governmental Activities-Internal Service Funds	
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Waste-water Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2007	Total 2006			
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:														
Operating income (loss)	$ 72,855	$ 14,033	$ 13,204	$ (500,297)	$ (153,927)	$ 41,811	$ 53	$ (43,853)	$ 506	$ (555,615)	$ (555,947)		$ 613	$ (189)
Adjustments for non-cash activities:														
Depreciation and amortization	142,807	43,895	10,919	92,942	6,832	36,683	10,253	1,095	282	345,708	366,463		1,700	1,185
Provision for uncollectibles	(2,447)	-	(179)	(96)	-	68	142	-	-	(2,512)	134		-	-
Write-off of capital assets	-	10,193	4,583	-	-	710	-	-	-	15,486	11,172		-	-
Other	7,444	(1,457)	(10)	(3,886)	-	-	(233)	-	-	1,878	34,170		-	28
Changes in assets/liabilities:														
Receivables, net	985	(1,982)	13,539	3,691	(15,651)	(6,074)	(773)	(1,811)	2	(8,074)	(34,533)		20,600	18,513
Due from other funds	-	-	(1,982)	509	-	-	-	-	-	(1,473)	(1,918)		-	24
Inventories	16	175	6	305	1,314	-	(93)	180	-	1,903	(177)		-	-
Deferred charges and other assets	739	-	-	376	-	-	2,098	-	2	3,215	1,115		150	-
Accounts payable	14,749	2,883	(4,045)	8,890	8,819	249	(1,010)	(294)	(19)	30,222	(7,412)		3,561	(429)
Accrued payroll	796	1,488	(353)	2,544	2,334	247	-	651	-	7,707	6,068		171	218
Accrued vacation and sick leave pay	505	776	173	1,799	(953)	414	-	(1,191)	-	1,523	(632)		(92)	208
Accrued workers' compensation	(175)	(373)	248	(12,370)	997	(29)	-	512	-	(11,190)	(10,089)		(351)	(46)
Estimated claims payable	-	1,134	(217)	(2,662)	-	2,732	-	-	-	987	11,582		-	-
Due to other funds	-	(63)	-	-	12,925	-	-	(2,617)	-	10,245	3,672		(177)	-
Deferred credits and other liabilities	5,464	(1,224)	(110)	2,749	-	-	1,557	(78)	3	8,361	(11,978)		1,585	(2,697)
Total adjustments	170,883	55,445	22,572	94,811	16,617	35,000	11,941	(3,553)	270	403,986	367,637		27,147	17,004
Net cash provided by (used in) operating activities	$ 243,738	$ 69,478	$ 35,776	$ (405,486)	$ (137,310)	$ 76,811	$ 11,994	$ (47,406)	$ 776	$ (151,629)	$ (188,310)		$ 27,760	$ 16,815
Reconciliation of cash and cash equivalents to the statement of net assets:														
Deposits and investments with City Treasury:														
Unrestricted	$ 263,176	$ 105,730	$ 146,172	$ 110,651	$ 50,910	$ 52,222	$ 80,688	$ -	$ -	$ 809,549	$ 681,935		$ 11,029	$ 7,943
Restricted	142,942	219,521	-	16,417	-	85,005	5,789	42,957	-	512,631	672,143		-	-
Unrestricted deposits and investments outside City Treasury	10	40	10	7,006	10	-	5	1	554	7,636	9,758		23,060	25,133
Total deposits and investments	406,128	325,291	146,182	134,074	50,920	137,227	86,482	42,958	554	1,329,816	1,363,836		34,089	33,076
Add: Restricted deposits and investments outside City Treasury meeting the definition of cash equivalents	-	-	-	33,524	-	-	4,663	-	-	38,187	5,539		-	-
Less: Investments not meeting the definition of cash equivalents	(2,522)	-	-	-	-	-	-	-	-	(2,522)	(902)		-	-
Cash and cash equivalents at end of year on statement of cash flows	$ 403,606	$ 325,291	$ 146,182	$ 167,598	$ 50,920	$ 137,227	$ 91,145	$ 42,958	$ 554	$ 1,365,481	$ 1,368,473		$ 34,089	$ 33,076

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Deposits and investments with City Treasury	$ 70,167	$ 645,568	$ 60,894
Deposits and investments outside City Treasury:			
Cash and deposits	70,495	105	14
Short term bills and notes	1,426,876	-	-
Debt securities	4,254,683	-	-
Equity securities	8,835,816	-	-
Real estate	1,698,685	-	-
Venture capital	1,604,653	-	-
Foreign currency contracts, net	10,466	-	-
Receivables:			
Employer and employee contributions	27,285	-	40,602
Brokers, general partners and others	853,921	-	-
Interest and other	57,491	9,776	143,626
Invested securities lending collateral	2,220,679	-	-
Deferred charges and other assets	-	-	26,658
Total assets	21,131,217	655,449	$ 271,794
LIABILITIES			
Accounts payable	15,134	9,266	$ 52,105
Estimated claims payable	10,025	-	-
Agency obligations	-	-	219,689
Obligations under fixed coupon dollar reverse repurchase agreements	468,164	-	-
Payable to brokers	1,390,144	-	-
Securities lending collateral	2,220,679	-	-
Deferred credits and other liabilities	31,128	-	-
Total liabilities	4,135,274	9,266	$ 271,794
NET ASSETS			
Held in trust for pension and other employee benefits and external pool participants	$ 16,995,943	$ 646,183	

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2007

(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:		
Employees' contributions	$ 252,362	$ -
Employer contributions	576,705	-
Contributions to pooled investments	-	2,600,231
Total contributions	829,067	2,600,231
Investment income:		
Interest	241,499	31,395
Dividends	167,408	-
Net increase in fair value of investments	2,424,618	-
Securities lending income	106,208	-
Fixed coupon dollar reverse repurchase agreement income	27,050	-
Total investment income	2,966,783	31,395
Less investment expenses:		
Securities lending borrower rebates and expenses	(98,375)	-
Fixed coupon dollar reverse repurchase finance charges and expenses	(25,129)	-
Other expenses	(44,009)	-
Total investment expenses	(167,513)	-
Total additions, net	3,628,337	2,631,626
Deductions:		
Benefit payments	1,152,949	-
Refunds of contributions	7,645	-
Distribution from pooled investments	-	2,532,885
Administrative expenses	11,362	-
Total deductions	1,171,956	2,532,885
Change in net assets	2,456,381	98,741
Net assets at beginning of year	14,539,562	547,442
Net assets at end of year	$ 16,995,943	$ 646,183

The notes to the financial statements are an integral part of this statement.

(1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (The Authority) - The voters of the City created the Authority in 1989 to impose a voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30 year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Authority. The Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Authority can be obtained from their finance and administrative offices at 100 Van Ness Avenue, 26th Floor, San Francisco, CA 94102.

San Francisco City and County Finance Corporation (The Finance Corporation) - The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (The Parking Authority) - The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (DPT). The DPT consists of five commissioners appointed by the mayor. Upon creation of the DPT, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the DPT. The staff and fiscal operations of the Parking Authority were also incorporated into the DPT. Beginning on July 1, 2002, the responsibility for overseeing the operations of the DPT became the responsibility of the Municipal Transportation Agency (MTA) pursuant to Proposition E which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the MTA administrative offices at 1 South Van Ness Avenue, 7th Floor, San Francisco, CA 94102.

Discretely Presented Component Units

San Francisco Redevelopment Agency (The Agency) - The Agency is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern it. The Agency has adopted as its mission the creation of affordable housing and economic development opportunities Citywide. Included in its financial data are the accounts of the San

Francisco Redevelopment Financing Authority (SFRFA), a blended component unit of the Agency. The SFRFA is a separate joint-powers authority formed between the Agency and the City to facilitate the long-term financing of Agency activities. The Agency's governing commission serves as the Board of Directors of the SFRFA.

In May 2002, the Public Initiatives Development Corporation (PIDC) was formed to develop affordable housing on the Agency's behalf. The PIDC is reported as a blended component unit of the Agency, due to the Board of the PIDC being comprised of management of the Agency and other appointed individuals. Future funding will be dependent on the Agency and as such, the PIDC is reported as a blended component unit of the Agency.

The Agency's governing body is not substantively the same as that of the City, and the Agency does not provide services entirely or almost entirely to the City. The Agency is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the Agency through the appointment of the Agency's Board and the ability of the City to approve the Agency's budget. Disclosures related to the Agency, where significant, are identified separately throughout these notes. Complete financial statements can be obtained from the Agency's finance department at 1 South Van Ness Avenue, San Francisco, CA 94103.

Treasure Island Development Authority (TIDA) - The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 410 Palm Avenue, Building 1, Room 223, Treasure Island, San Francisco, CA 94130.

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, Private Industry Council of San Francisco, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, of which both are also excluded from the City's reporting entity.

(2) Summary of Significant Accounting Policies

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior-year summarized comparative information. This information is presented only to facilitate financial analysis.

(b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.

The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.

The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.

The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI), San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the operations of the Department of Parking and Traffic (DPT), which includes the Parking Authority. MUNI was established in 1912 and is responsible for the operations of the City's public transportation system. SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to the City's public transportation system. DPT is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. DPT is a separate department of the MTA. The parking garages fund accounted for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.

The ***San Francisco General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital Medical Center (SFGH), a City-owned acute care hospital.

The ***San Francisco Wastewater Enterprise Fund*** (formerly known as the Clean Water Program) was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City municipal sewage treatment and disposal system.

The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital, the City-owned skilled nursing facility which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds

account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.

The ***Pension and Other Employee Benefit Trust Funds*** reflect the activities of the Employees' Retirement System and the Health Service System. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries.

The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts are accounted for within the Investment Trust Fund.

The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California, human welfare, community health and transportation programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Water Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Budgetary Data

The City adopts annual budgets for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certain debt service funds which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy

decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps are summarized as follows:

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

Generally, new or one-time federal and state grants, other capital projects, and debt issues are budgeted by the Mayor and the Board of Supervisors through a supplemental appropriation.

(d) Deposits and Investments

Investment in the Treasurer's Pool

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer who reports on a monthly basis to the Board of Supervisors manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuance of the Enterprise Funds and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Employees' Retirement System and deposits and investments of the Redevelopment Agency are held by trustees (note 5).

The San Francisco Unified School District (school district), San Francisco Community College District (community college district), and the City are involuntary participants in the City's investment pool. As of June 30, 2007, involuntary participants accounted for approximately 94 percent of the pool. Voluntary participants accounted for 6 percent of the pool. Further, the school district, community college district, the Trial Courts of the State of California, and the Transbay Joint Powers Authority are external participants of the City's pool. At June 30, 2007, $646.2 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 19 percent. Internal participants accounted for 81 percent of the pool.

For reports on the external investment pool, contact the Office of the Treasurer, Room 140, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Investment Valuation

Treasurer's Pool - All investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund.

Employees' Retirement System (Retirement System) - Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. Purchases and sales of investments are recorded on a trade date basis. The fair values of real

estate holdings are estimated based primarily on appraisals prepared by third-party appraisers. Such market value estimates involve subjective judgments, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction.

The fair values of venture capital investments are estimated based primarily on audited financial statements provided to the individual fund managers. Such market value estimates involve subjective judgments, and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

The City Charter and Retirement System Board policies permit the Retirement System to use investments of the Retirement System's Pension Plan (the Plan) to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral, with a simultaneous agreement to return collateral for the same securities in the future. The collateral may consist of cash or noncash; noncash collateral is generally U.S. treasuries or other U.S. government obligations. The Retirement System's securities custodians are agents in lending the Plan's domestic securities for cash collateral of 102% and international securities for cash collateral of 105%. Contracts with the lending agents require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or if the borrowers fail to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

Either the Retirement System or the borrower can terminate all securities loans on demand, although the average term of the loans at June 30, 2007 is eighty-two days. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted-average maturity of fifty-four days. In lending international securities, cash collateral is invested in a separate short-term investment pool, which at year-end had a weighted-average maturity of thirty-seven days. The relationship between the maturities of the investment pools and the Retirement System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Retirement System cannot determine. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan. Cash received as collateral on securities lending transactions is reported as an asset, and liabilities from these transactions are reported in the statement of net assets. Additionally, the costs of securities lending transactions, such as borrower rebates and fees, are recorded as expenses.

The City Charter and Retirement System Board policies permit the Retirement System to use investments to enter into fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of the securities underlying fixed coupon dollar repurchase agreements equals the cash received. If the dealers default on their obligations to resell these securities to the Retirement System at the agreed-upon buy back price, the Retirement System could suffer an economic loss if the securities have to be purchased at a higher price (than the agreed-upon buy back price) in the open market. This credit exposure at June 30, 2007 was approximately $133 thousand.

Other funds - Non-pooled investments are also generally carried at fair value. However, money market investments (such as short term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations), and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity at the time of purchase of one year or less are carried at amortized cost, which approximates fair value. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Component Unit – San Francisco Redevelopment Agency (The Agency) – The Agency pools deposits and investments, except for certain investments restricted for developers' deposits and pledged assets relating to specific projects. The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2007. Money market investments (such as short-term,

highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity of less than one year at the date of purchase are valued at the amortized cost, which approximates fair value as of June 30, 2007.

Investment Income

Income from pooled investments is allocated at month end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental funds, Internal Service, Investment Trust and Agency Funds.

It is the City's policy to charge interest at month end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, MTA, Laguna Honda Hospital, General Hospital Medical Center, and the Internal Service Funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

(e) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issues loans to qualified applicants. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2007, it was determined that $414.5 million of the $478.7 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred credit account. For purposes of the government-wide financial statements, long-term loans are not offset by deferred credit accounts.

(f) Inventory

Inventory recorded in the proprietary funds primarily consists of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types also use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(g) Redevelopment Agency Property Held for Resale

Property held for resale are both residential and commercial and are recorded as an asset at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. Property held for sale may, during the period it is held by the Agency, generate rental income, which is recognized as it becomes due and is considered collectible.

(h) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, and easements of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and Improvements	15 to 175
Infrastructure	15 to 70
Machinery and Equipment	2 to 75
Easements	20

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(i) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination.

Sick leave may be accumulated up to six months, except for Local 21 members, who are all entitled to accumulate all unused sick leave. Unused amounts accumulated prior to December 6, 1978 are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death. Effective July 1, 2002, the City established a pilot "Wellness Incentive Program" (the Program) to promote workforce attendance. The Program was initially negotiated as part of the July 1, 2001 to June 30, 2004 labor contract between the City and forty-one labor organizations, representing about 48% of the City's workforce. It is described in several Memorandums of Understanding (MOUs) dated since July 1, 2001, between the City and the affected labor organizations. Under the terms of these MOUs and the labor contracts, the Program is in effect from July 1, 2002 and begins to sunset by June 30, 2009.

This Program provides:

Effective July 1, 2002, any full-time employee leaving the employment of the City upon service or disability retirement may receive payment for a portion of sick leave earned but unused at the time of

separation. The amount of this payment shall be equal to 2.5% of sick leave balances earned but unused at the time of separation times the number of whole years of continuous employment times an employee's salary rate, exclusive of premiums of supplements, at the time of separation. Vested sick leave hours as described by Civil Service Commission rules, shall not be included in this computation.

The City accrues for all salary-related items, including the Program, in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

(j) Bond Issuance Costs, Premiums, Discounts and Interest Accretion

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. San Francisco International Airport's bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The remaining bond premiums, discounts, and issuance costs are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide and proprietary fund financial statements.

(k) Fund Equity

Reservations of Fund Equity

Reservations of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally segregated for a specific future use. Following is a brief description of the nature of certain reserves.

Reserve for rainy day - The City's Charter requires that the City set aside funds into a reserve account in years in which revenue growth exceeds five percent compared to the year before. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent.

Reserve for assets not available for appropriation - Certain assets, primarily cash and investments outside City Treasury and deferred charges, do not represent expendable available financial resources. Therefore, a portion of fund equity is reserved to offset the balance of these assets.

Reserve for debt service - The fund balance of the debt service funds is reserved for the payment of debt service in the subsequent year.

Reserves for encumbrances - Encumbrances are recorded as reservations of fund balances because they do not constitute expenditures or liabilities. In certain other governmental funds, this accounting treatment results in a deficit unreserved fund balance. This deficiency is carried forward to the next fiscal year where it is applied against estimated revenues in the year the commitments are expended.

Reserve for appropriation carryforward - At the end of the fiscal year, certain budgeted expenditures are authorized to be carried over and expended in the ensuing year. A reserve of fund balance is established in the amount of these budget authorizations.

Reserve for subsequent years' budgets - A portion of fund balance is reserved for subsequent years' budgets. This balance includes the reserve required by the City's Administrative Code for the budget incentive program for the purpose of making additional funds available for items and services that will improve the efficient operations of departments.

Restricted Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Assets* - This category represents net assets that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2007, the government-wide statement of net assets reported restricted assets of $430.8 million in governmental activities and $349.1 million in business-type activities. For governmental activities, $10.4 million is restricted by enabling legislation.

- *Unrestricted Net Assets* - This category represents net assets of the City, not restricted for any project or other purpose.

Designations of Fund Equity

Designations of fund balances (note 4) indicate that portion of fund balance that is not available for appropriation based on management's plans for future use of the funds. Following is a brief description of the nature of the designation as of June 30, 2007.

Designation for litigation and contingencies - This designation represents management's estimate of anticipated legal settlements or contingencies to be paid in the subsequent fiscal year.

Deficit Net Assets/Fund Balances

The Moscone Convention Center Fund had a $4.3 million deficit as of June 30, 2007. The deficit will be covered as hotel tax revenues are realized.

The Telecommunications and Information Internal Service Fund had a $1.4 million deficit in total net assets as of June 30, 2007. The deficit of total net assets relates to operations and is expected to be reduced in future years through anticipated rate increases or reductions in operating expenses. The rates are reviewed and updated annually.

(l) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

(1) Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

(2) Reimbursements for expenditures, initially made by one fund which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(m) Refunding of Debt

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2000.

(n) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(o) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Reclassifications

Certain amounts presented as 2005-2006 Summarized Comparative Financial Information in the basic financial statements have been reclassified for comparative purposes to conform to the presentation in the 2006-2007 basic financial statements.

(q) Effects of New Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2008.

In December 2006, GASB issued Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement issued a standard that will require state and local governments to provide the public with better information about the financial impact of environmental cleanups. This statement is effective for the City's fiscal year ending June 30, 2009.

(r) Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects. In addition, certain grant proceeds are restricted by the granting agency.

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Total fund balances of the City's governmental funds, $1,251,939, differ from net assets of governmental activities, $1,871,011, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental funds balance sheets.

Balance Sheet/Statement of Net Assets (in thousands)

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Assets Totals
Assets					
Deposits and investments with City Treasury	$ 1,338,831	$ -	$ 11,029	$ -	$ 1,349,860
Deposits and investments outside City Treasury	51,743	-	58,127	-	109,870
Receivables, net:					
Property taxes and penalties	59,678	-	-	-	59,678
Other local taxes	186,183	-	-	-	186,183
Federal and state grants and subventions	161,667	-	-	-	161,667
Charges for services	30,596	-	-	-	30,596
Interest and other	30,387	-	1,133	-	31,520
Due from other funds	46,759	-	-	(46,759)	-
Due from/Advance to component unit	6,665	-	-	-	6,665
Loans receivable, net	64,504	-	-	-	64,504
Capital assets, net	-	2,895,233	5,536	-	2,900,769
Deferred charges and other assets	9,612	17,165	7,059	-	33,836
Total assets	$ 1,986,625	$ 2,912,398	$ 82,884	$ (46,759)	$ 4,935,148
Liabilities					
Accounts payable	$ 181,575	$ -	$ 10,077	$ -	$ 191,652
Accrued payroll	69,122	-	1,773	-	70,895
Accrued vacation and sick leave pay	-	130,374	3,839	-	134,213
Accrued workers' compensation	-	193,935	754	-	194,689
Estimated claims payable	-	114,431	-	-	114,431
Accrued interest payable	-	7,033	1,748	-	8,781
Deferred tax, grant and subvention revenues	67,021	(62,464)	-	-	4,557
Due to other funds/internal balances	51,235	-	3,663	(46,759)	8,139
Deferred credits and other liabilities	215,733	(93,865)	1,758	-	123,626
Bonds, loans, capital leases, and other payables	150,000	1,812,858	250,296	-	2,213,154
Total liabilities	734,686	2,102,302	273,908	(46,759)	3,064,137
Fund balances/net assets					
Total fund balances/net assets	1,251,939	810,096	(191,024)	-	1,871,011
Total liabilities and fund balances/net assets	$ 1,986,625	$ 2,912,398	$ 82,884	$ (46,759)	$ 4,935,148

(1) When capital assets (land, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets	$ 3,650,276
Accumulated depreciation	(755,043)
	$ 2,895,233

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets. $ 17,165

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued vacation and sick leave pay	$ (130,374)
Accrued workers' compensation	(193,935)
Estimated claims payable	(114,431)
Bonds, loans, capital leases, and other payables	(1,812,858)
Deferred credits and other liabilities	(1,874)
	$ (2,253,472)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. $ (7,033)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred tax, grant and subvention revenue	$ 62,464
Deferred credits and other liabilities	95,739
	$ 158,203

(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Net deficit before adjustments	(275)
Adjustments for internal balances with San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(251,197)
Deferred charges and other assets	3,671
Deferred credits and other liabilities	56,777
	$ (191,024)

In addition, intrafund receivables and payables among various internal service funds of $0.1 million are eliminated.

(b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, ($63,645), differs from the change in net assets for governmental activities $76,393, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities (in thousands)

	Total Governmental Funds	Long-term Revenues/ Expenses(3)	Capital-related Items(4)	Internal Service Funds(5)	Long-term Debt Transactions(6)	Statement of Activities Totals
Revenues						
Property taxes	$ 1,107,864	$ 19,128	$ -	$ -	$ -	$ 1,126,992
Business taxes	337,592	-	-	-	-	337,592
Other local taxes	668,824	-	-	-	-	668,824
Licenses, permits and franchises	27,428	3,313	-	-	-	30,741
Fines, forfeitures and penalties	8,871	-	-	-	-	8,871
Interest and investment income	83,846	330	-	2,057	-	86,233
Rents and concessions	52,493	257	-	-	-	52,750
Intergovernmental:						
Federal	381,688	-	-	-	-	381,688
State	582,666	1,883	-	-	-	584,549
Other	15,689	-	-	-	-	15,689
Charges for services	273,057	-	-	-	-	273,057
Other revenues	44,084	-	1,841	-	-	45,925
Total revenues	3,584,102	24,911	1,841	2,057	-	3,612,911
Expenditures/Expenses						
Expenditures:						
Public protection	865,556	3,892	5,022	(4,089)	-	870,381
Public works, transportation and commerce	280,907	23,503	15,531	(10,846)	-	309,095
Human welfare and neighborhood development	740,171	10,364	499	-	-	751,034
Community health	509,844	5,560	924	(7)	-	516,321
Culture and recreation	286,135	9,414	25,578	(10,880)	(19,700)	290,547
General administration and finance	167,505	6,681	12,639	(864)	-	185,961
General City responsibilities	57,532	10,602	-	(1,041)	855	67,948
Debt service:						
Principal retirement	98,169	-	-	-	(98,169)	-
Interest and fiscal charges	71,266	-	-	9,565	13,229	94,060
Bond issuance costs	3,683	-	-	-	(3,683)	-
Capital outlay	283,370	-	(283,370)	-	-	-
Total expenditures/expenses	3,364,138	70,016	(223,177)	(16,162)	(107,468)	3,085,347
Other financing sources (uses)/changes in net assets						
Net transfers (to) from other funds	(451,549)	-	(172)	550	-	(451,171)
Issuance of bonds and loans:						
Face value of bonds issued	312,955	-	-	-	(312,955)	-
Face value of loans issued	141	-	-	-	(141)	-
Premium on issuance of bonds	3,521	-	-	-	(3,521)	-
Discount on issuance of bonds	(1,856)	-	-	-	1,856	-
Payment to escrow for refunded debt	(159,610)	-	-	-	159,610	-
Other financing sources - capital leases	12,789	-	-	(10,007)	(2,782)	-
Total other financing sources (uses)/changes in net assets	(283,609)	-	(172)	(9,457)	(157,933)	(451,171)
Net change for the year	$ (63,645)	$ (45,105)	$ 224,846	$ 10,762	$ (50,465)	$ 76,393

(3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. $ 19,128

Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities. 5,783

$ 24,911

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net assets were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the decrease in long-term liabilities exceeded expenses reported in the statement of activities that do not require the use of current financial resources. $ (39,293)

Some expenditures reported in the governmental funds pertain to the establishment of deferred credits on long-term loans since the loans are not considered "available" to pay current period expenditures. The deferred credits are not reported in the statement of net assets and, therefore, the related expenditures are not reported in the statement of activities. (30,723)

$ (70,016)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, the loss on disposal of capital assets and capital asset acquired or funded by donation and other revenues.

Capital expenditures	$ 290,619
Depreciation expense	(67,400)
Loss on disposal of capital assets	(42)
Transfer of asset to enterprise fund	(172)
Capital asset acquired by donation or funded by other revenues	1,841
Difference	$ 224,846

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. $ 10,762

(6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to lessee.

Total property rent payments	$ 19,700

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs	$ 3,683
Amortization of bond issuance costs	(855)
Difference	$ 2,828

Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized in the statement of net assets. This is the amount of premiums capitalized during the current period..... $ (1,665)

Repayment of bond principal is reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	$ 98,169
Payments to escrow for refunded debt	159,610
	$ 257,779

Bond and loan proceeds and capital leases are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and do not affect the statement of activities. Proceeds were received from:

General obligation bonds	(2,000)
Refunding general obligation bonds	(157,255)
Certificate of participation	(153,700)
Capital lease for equipment	(2,782)
Loans	(141)
	(315,878)
	$ (58,099)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, (2) amortization of bond discounts, premiums and refunding losses which are not expended within the fund statements, and (3) additional interest expense was recognized on the accrual of an arbitrage rebate liability which will not be recognized in the governmental funds until the liability is due and payable.

Increase in accrued interest	$ (574)
Interest payment on capital lease obligations on the Moscone Convention Center	(12,357)
Amortization of bond premiums, discounts and refunding losses	673
Increase in arbitrage rebate liability	(971)
	$ (13,229)

(4) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (note 6).

The fund balance of the General Fund as of June 30, 2007 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows (in thousands):

	General Fund
Fund Balance - Budget Basis	$ 563,435
Unrealized Gains/(Losses) on Investments	(376)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(30,940)
Repayment from Redevelopment Agency for Jessie Square Garage	(3,323)
Reserved for Assets Not Available for Appropriation	12,665
Fund Balance - GAAP Basis	$ 541,461

General Fund Budget basis fund balance at June 30, 2007 is composed of the following (in thousands):

Reserved for Rainy Day - Economic Stabilization Reserve	$ 117,556	
Reserved for Rainy Day - One-Time Spending Account	16,066	
Reserved for Encumbrances	60,948	
Reserved for Appropriation Carryforward	161,128	
Reserved for Subsequent Years' Budgets:		
Baseline Appropriation Funding Mandates	2,891	
Budget Savings Incentive Program	10,540	
Litigation	6,824	
Salaries and benefits costs (MOU)	11,806	
Total Reserved Fund Balance		$ 387,759
Designated for Litigation and Contingencies	43,794	
Unreserved, Undesignated Fund Balance - Available for Appropriation	131,882	
Total Unreserved Amounts		175,676
Fund Balance, June 30, 2007 - Budget basis		$ 563,435

Of the $131.9 million unreserved, undesignated fund balance – available for appropriation, $118.9 million has been subsequently appropriated as part of the General Fund budget for use in fiscal year 2007-2008.

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows (dollars in thousands):

	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with City Treasury	$ 1,349,860 [1]	$ 809,548	$ 776,629 [2]	$ 2,936,037	$ 1,697
Deposits and investments outside City Treasury	109,870 [3]	11,351	17,901,793	18,023,014	234,887
Restricted assets:					
Deposits and investments with City Treasury	-	512,631	-	512,631	-
Deposits and investments outside City Treasury	-	298,139	-	298,139	99,795
Invested securities lending collateral	-	-	2,220,679	2,220,679	-
Total deposits and investments	$ 1,459,730	$ 1,631,669	$ 20,899,101	$ 23,990,500	$ 336,379
Cash and deposits	$ (116,792)	$ 16,524	$ 70,495	$ (29,773)	$ 49,233
Investments	1,576,522	1,615,145	20,828,606	24,020,273	287,146
Total deposits and investments	$ 1,459,730	$ 1,631,669	$ 20,899,101	$ 23,990,500	$ 336,379

[1] Includes deposits and investments with the City Treasury of total governmental funds ($1,338,831) and internal service funds ($11,029).

[2] Includes deposits and investments with the City Treasury of pension and other employee benefit trust funds ($70,167), investment trust fund ($645,568), and agency funds ($60,894).

[3] Includes deposits and investments outside the City Treasury of total governmental funds ($51,743) and internal service funds ($58,127).

(b) Cash and Deposits

The City had cash and deposits at June 30, 2007, as follows (in thousands):

	Primary Government						Component Units	
	Governmental Activities		Business-type Activities		Fiduciary Funds			
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash on hand	$ 375	$ -	$ 1,244	$ -	$ -	$ -	$ 1	$ -
Federally insured deposits	600	600	280	280	100	100	200	200
Collateralized deposits*	(118,249)	40,090	160	150	19,608	19,608	49,032	52,757
Uninsured and uncollateralized	482	482	14,840	14,840	50,787	50,787	-	-
	$ (116,792)	$ 41,172	$ 16,524	$ 15,270	$ 70,495	$ 70,495	$ 49,233	$ 52,957

* Under the City's cash management policy, investments are converted to cash as checks are presented for payment. At June 30, 2007, the carrying amount of collateralized deposits has been reduced by the amount of outstanding checks and other distribution accounts of approximately $161.3 million. Of the $161.3 million of outstanding checks, $42.8 million relates to the San Francisco Unified School District which has been reflected in an investment trust fund.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. In addition, the City's investment policy states that mortgage-backed collateral will not be accepted. As of June 30, 2007, $14.8 million and $50.8 million of the business-type activities and the Retirement System's bank balances, respectively, were exposed to custodial credit risk by not being insured or collateralized.

(c) Investment Policies

Cash and Cash Equivalents

The City's cash and cash equivalents include all highly liquid investments and are considered to be cash on hand, restricted assets demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Treasurer's Pool

The City's investment policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and yield. The City has established a Treasury Oversight Committee (Oversight Committee), comprised of various City officials and representatives of agencies with large cash balances, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits a comprehensive investment report to the members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

Although the California Government Code and the City's investment policy do not limit the amount of City funds that may be invested in treasury bills and treasury notes, purchases of treasury bonds are restricted to a maximum of five percent of the total portfolio at the time of purchase. Further, the California Government Code does not limit the amount of City funds that may be invested in federal agency instruments. However, the City's investment policy requires that investments in federal agencies should neither exceed 60 percent of the total portfolio at the time of purchase nor have a weighted average maturity in excess of 270 days. If it exceeds 270 days, the total should not exceed 30 percent of the total par value of the portfolio. The investment policy also limits each type of agency instrument.

The City's investment policy also limits the purchase of negotiable certificates of deposit to the five largest domestic commercial banks that have demonstrated profitability in their most recent audited financial statements at the time of purchase. In addition, the investment policy requires that public time deposits be made only at approved financial institutions with at least one full service branch within the geographical boundaries of the City, and that they yield a minimum of 0.125% higher than equal maturity U.S. Treasury instruments. The investment policy restricts exposure to $100,000 for all savings institutions and requires that each deposit be fully guaranteed by the Federal Deposit Insurance Corporation. The investment policy also requires that commercial bank deposits be made on a

competitive basis with risk exposure based on financial statements and related information gathered on each individual bank.

Also, the California State Government Code requires that the Treasurer purchase only domestic commercial paper with maturities not to exceed 270 days and that the issuer must be rated in the highest ranking by at least one of the national rating agencies. However, the Treasurer's investment policy is more restrictive in that it requires that the Treasurer purchase only domestic commercial paper with maturities not to exceed 180 days.

The table below identifies the investment types that are authorized for the City, along with the related interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills	N/A	None	None
U.S. Treasury Notes	N/A	None	None
U.S. Treasury Bonds	N/A	5%	None
U.S. Agency Securities	N/A	60%	None
Commercial Paper Discounts	180 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Public Time Deposit	1 year	None	None
Public Demand Accounts	N/A	None	None
Bankers Acceptances	180 days	40%	30%
Repurchase Agreements	30 days	None	None
Reverse Repurchase Agreements	45 days	None	$75 million

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

The investment policy permits investments in domestic and international debt and equity securities; real estate; and alternative investments, which include investments in a variety of commingled partnership vehicles.

San Francisco Redevelopment Agency

The investment policy of the Redevelopment Agency is governed by Article 2 of the California Government Code (Code). Investments are restricted to certain types of instruments and certain of these instruments are only allowed within limits. The Code permits repurchase agreements, but reverse repurchase agreements require the prior approval of the Agency Commission. The Agency does not participate in reverse repurchase agreements or other high-risk investments as defined by the Agency's investment policy. It is the Agency's intention to hold investments until maturity, unless earlier liquidation would result in an investment gain.

Certain investments of the Agency are in the Local Agency Investment Fund (LAIF). LAIF is sponsored by the State Treasurer and prepares its market value report detailing the carrying cost and the estimated fair value for the entire pool. The Agency has used a multiplier provided by LAIF to determine estimated fair values. In addition, the Agency has investments with trustees. These investments are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

(d) Investment Risks

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The following schedule indicates the interest rate risk of the City's investments as of June 30, 2007 (in thousands). The Employees' Retirement System's interest rate risk information begins on page 68.

		Investment Maturities			
	Fair Value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Primary Government:					
Investments in City Treasury:					
U.S. Treasury Bills	$ 24,405	$ 24,405	$ -	$ -	$ -
U.S. Treasury Notes	613,042	538,420	74,622	-	-
U.S. Agencies - Discount	1,915,967	1,915,967	-	-	-
Commercial paper	591,942	591,942	-	-	-
Negotiable certificates of deposits	379,879	379,879	-	-	-
Public time deposits	48,494	48,494	-	-	-
Less: Treasure Island Development Authority					
Investments with City Treasury	(1,697)	(1,697)	-	-	-
Subtotal investments in City Treasury	3,572,032	$ 3,497,410	$ 74,622	$ -	$ -
Investments Outside City Treasury:					
(Governmental and Business-Type)					
U.S. Treasury Notes	1,933	$ -	$ 1,933	$ -	$ -
U.S. Treasury Bills	13,906	13,906	-	-	-
U.S. Agencies - Coupon	17,905	5,484	12,421	-	-
U.S. Agencies - Discount	210,303	210,303	-	-	-
Money market mutual funds	150,800	155,068	-	-	-
Equity securities	780	780	-	-	-
Commercial paper	756	756	-	-	-
Subtotal investments outside City Treasury	396,383	$ 386,297	$ 14,354	$ -	$ -
Employees' Retirement System investments	20,051,858				
Total Primary Government	24,020,273				
Component Units:					
Redevelopment Agency:					
U.S. Agencies - Coupon	73,831	$ 43,245	$ 30,586	$ -	$ -
U.S. Agencies - Discount	15,743	15,743	-	-	-
Bankers' acceptances	12,591	12,591	-	-	-
Commercial paper	8,527	8,527	-	-	-
Certificate of deposit	5,000	5,000	-	-	-
Repurchase agreements	1,047	1,047	-	-	-
State Local Agency Investment Fund	62,994	62,994	-	-	-
Money market mutual funds	55,637	55,637	-	-	-
Guaranteed investment contracts	50,079	-	27,282	-	22,797
Subtotal Redevelopment Agency	285,449	$ 204,784	$ 57,868	$ -	$ 22,797
Treasure Island Development Authority:					
Investments with City Treasury	1,697	$ 1,697	$ -	$ -	$ -
Subtotal Treasure Island Development Authority	1,697	$ 1,697	$ -	$ -	$ -
Total Component Units	287,146				
Total Investments	$ 24,307,419				

One of the ways that the Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. All security transactions including collateral for repurchase agreements, entered into by the Treasurer are conducted on a deliver-versus-payment basis pursuant to approved custodial safekeeping agreements. Securities are held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits investments to securities with short maturities, such as the following:

- The maximum maturity of commercial paper is 180 days. Investment in commercial paper will comprise not more than 30% of the Agency's portfolio if average maturity is no more than 31 days or 15% if average maturity is more than 31 days.

- The maximum maturity of corporate notes is five years. Investment in corporate notes may not exceed 15% of the Agency's portfolio.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the California Government Code and the City's investment policy and the actual rating as of June 30, 2007 for each investment type in the City's Treasury.

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Total Investment Portfolio
U.S. Treasury Bills	N/A	A-1	1%
U.S. Treasury Notes	N/A	A-1	17%
U.S. Agencies	N/A	A-1	53%
Commercial Paper	A-1	A-1	17%
Negotiable Certificates of Deposits	N/A	A-1	12%

As a means of limiting its exposure to credit risk, the Agency's investment policy limits investments to high-quality securities with an investment grade of A or better, and maintaining a portfolio diversified by type and issuer.

Investment Type	Credit Ratings	Total Investment Portfolio
U.S. Agencies - Coupon	AAA	26%
U.S. Agencies - Discount	AAA	5%
Commercial paper	A-1/P-1+	3%
State Local Agency Investment Fund	Not rated	22%
Money market mutual funds	AAAm	20%
Guaranteed investment contracts	AA or Higher	18%
Bankers acceptances	Not rated	4%
Certificates of deposit	N/A	2%

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name.

The Agency does not have a formal investment policy for custodial credit risk for investments. As of June 30, 2007, $1 million of the Agency's investments are uninsured and unregistered.

Concentration of Credit Risk

The City diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. U.S. Treasury and Agency securities are not subject to single issuer limitation. More than 5 percent of the City's investments with the City Treasurer are in the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and the Federal National Mortgage Association. These investments represent 19 percent, 15 percent, and 19 percent, respectively, of the City's investments in U.S. Agencies. The City's investments in commercial paper are with Bank of America, JP Morgan Chase & Co., and Union Bank, with Bank of America representing 10 percent of the total 17 percent investment in commercial paper. The City's investments in negotiable certificates of deposit are all with Bank of America.

In addition, 52 percent of Airport's investments with its trustees are in Federal Home Loan Mortgage Corporation and 43 percent in Federal National Mortgage Association. The Finance Corporation's investments with its trustee are held in Federal National Mortgage Association for 83 percent and in Federal Home Loan Bank for 17 percent.

(e) Treasurer's Pool

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2007 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 3,450,364
Equity of internal pool participants	2,804,181
Equity of external pool participants	646,183
Total equity	$ 3,450,364
Statement of Changes in Net Assets	
Net assets at July 1, 2006	$ 3,591,164
Net change in investments by pool participants	(140,800)
Net assets at June 30, 2007	$ 3,450,364

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2007 (in thousands):

Types of Investment	Rates	Maturities	Par Value	Carrying Value
U.S. government securities	2.75% - 5.07%	08/15/07-12/31/08	$ 640,000	$ 637,445
Federal agencies	4.79% - 5.25%	07/02/07-03/31/08	1,979,000	1,915,967
Negotiable certificate of deposits	5.24% - 5.32%	08/23/07-12/28/07	380,000	379,879
Commercial paper	5.08% - 5.31%	07/02/07-10/09/07	603,000	591,942
Public time deposits	4.50% - 5.63%	07/16/08-08/07/08	50,200	48,495
			$ 3,652,200	3,573,729
Carrying amount of deposits in Treasurer's Pool				(123,365)
Total cash and investments in Treasurer's Pool				$ 3,450,364

(f) Retirement System Investments

The Retirement System's investments as of June 30, 2007 are summarized as follows (in thousands):

Fixed Income Investments:	
Short-term bills and notes	$ 1,522,713
Debt securities:	
U.S. Government and agencies	2,021,509
U.S. Corporate	1,861,859
International government	110,243
International corporate	165,235
Subtotal debt securities	4,158,846
Total fixed income investments	5,681,559
Equity securities:	
Domestic	4,958,204
International	3,877,612
Total equity securities	8,835,816
Real estate holdings	1,698,685
Venture capital	1,604,653
Foreign currency contracts, net	10,466
Investment in lending agent's short-term investment pool	2,220,679
Total Retirement System Investments	$ 20,051,858

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board.

Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2007 (in thousands):

Investment Type	Fair Value	Less than 1 year	1-6 years	6-10 years	10+ years
Asset Backed Securities	$ 100,973	$ -	$ 47,195	$ 7,301	$ 46,477
Commercial Mortgage-Backed Securities	521,581	-	24,594	73,918	423,069
Corporate Bonds	532,746	32,898	160,762	212,501	126,585
Corporate Convertible Bonds	209,433	600	38,038	12,294	158,501
Government Agencies	184,844	-	21,036	62,507	101,301
Government Bonds	821,545	5,871	485,581	176,048	154,045
Government Mortgage-Backed Securities	234,650	-	-	3,225	231,425
Index Linked Government Bonds	42,448	-	3,920	14,219	24,309
Loans	95,838	-	53,612	42,226	-
Mortgages	175	-	-	175	-
Municipal/Provincial Bonds	13,515	-	5,233	8,282	-
Non-Government Backed Collateralized Mortgage Obligations	156,122	2,597	6,147	2,175	145,203
Short-term Bills and Notes	8,167	8,167	-	-	-
Total	$ 2,922,037	$ 50,133	$ 846,118	$ 614,871	$ 1,410,915

Credit Risk

During the year ended June 30, 2007, the Retirement Board approved a change to investment credit risk from 10% to 5% exposure in any single security; the fixed income investment managers are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agencies. The following table illustrates the Retirement System's exposure to credit risk excluding obligations of the U.S. government and those explicitly guaranteed by the U.S. government as of June 30, 2007 (amounts in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	C	Not Rated
Asset Backed Securities	$ 100,973	$ 51,581	$ -	$ -	$ 3,760	$ 6,131	$ 728	$ -	$ 38,773
Commercial Mortgage-Backed	521,581	104,944	-	-	19,629	32,609	21,290	767	342,342
Corporate Bonds	1,102,452	3,812	4,528	45,768	108,525	70,525	124,111	37,823	707,360
Corporate Convertible Bonds	209,433	-	4,610	26,320	35,743	23,239	12,833	3,666	103,022
Government Agencies	184,844	178,340	3,120	3,384	-	-	-	-	-
Government Bonds	94,777	20,833	-	6,985	18,674	13,329	3,200	470	31,286
Government Mortgage-Backed Securities	1,069,400	-	-	-	-	-	-	-	1,069,400
Index Linked Government Bonds	3,911	3,911	-	-	-	-	-	-	-
Mortgages	175	-	-	-	-	-	-	-	175
Municipal/Provincial Bonds	13,515	5,615	7,900	-	-	-	-	-	-
Loans	95,838	-	-	-	-	-	-	-	95,838
Unit Trust Bonds	43,987	-	-	-	-	-	-	-	43,987
Non-Government Backed Collateralized Mortgage Obligations	156,120	31,025	1,787	18,158	3,519	5,735	2,223	-	93,673
Other Fixed Income -Commingled Funds	68,844	-	-	-	-	-	-	-	68,844
Short-term bills and notes	8,167	-	-	-	-	-	-	-	8,167
Total	$ 3,674,017	$ 400,061	$ 21,945	$ 100,615	$ 189,850	$ 151,568	$ 164,385	$ 42,726	$ 2,602,867

The ratings are the lower of the ratings by Moody's Investors Service (Moody's) and Standard & Poor's (S&P). Investments not rated by either Moody's or S&P are shown as not rated in the above table.

Custodial Credit Risk

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but it is the practice of the Retirement System that all investments are insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2007, $54.4 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

Cash received as securities lending collateral is invested in a securities lending collateral investment pool and is not exposed to custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of investments. As of June 30, 2007, the Retirement System was subjected to foreign currency risk. To mitigate this risk, the Retirement System's investment policy allows international managers to enter into foreign currency exchange contracts limited to hedging currency exposure existing in the portfolio. The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments. The Retirement System's net exposure to foreign currency risk for fiscal year 2006-2007 is as follows (in thousands):

Currency	Cash	Equity	Fixed Income	Venture Capital	Swaps	Total
Argentine peso	$ -	$ -	$ 1,436	$ -	$ -	$ 1,436
Australian dollar	272,390	137,105	5,554	-	-	415,049
Brazilian real	7,611	30,569	4,939	-	17,488	60,607
British pound sterling	(13,437)	577,218	16,129	2,267	2,286	584,463
Canadian dollar	170,834	107,178	2,241	-	-	280,253
Chilean peso	5,548	-	-	-	-	5,548
Chinese yuan renminbi	105,296	-	-	-	-	105,296
Columbian peso	7,421	-	-	-	-	7,421
Czech koruna	11,584	15,705	-	-	-	27,289
Danish krone	1,436	21,330	-	-	-	22,766
Egyptian pound	(82)	12,322	-	-	2,740	14,980
Euro currency	(293,615)	1,111,568	13,929	161,548	-	993,430
Hong Kong dollar	(33,996)	138,602	-	-	-	104,606
Hungarian forint	7,018	24,798	4,568	-	-	36,384
Iceland krona	9,646	-	-	-	-	9,646
Indian rupee	10,216	-	2,199	-	-	12,415
Indonesian rupiah	1,895	3,189	1,413	-	-	6,497
Japanese yen	(105,818)	591,855	7,557	20,993	-	514,587
Kuwaiti dinar	1,098	-	-	-	-	1,098
Malaysian ringgit	8,826	22,210	3,393	-	2,329	36,758
Mexican peso	29,018	23,334	14,932	-	-	67,284
New Israeli shekel	1,830	7,141	-	-	-	8,971
New Taiwan dollar	20,149	766	-	-	-	20,915
New Zealand dollar	(55,497)	2,709	3,911	-	-	(48,877)
Nigerian naira	-	-	-	-	549	549
Norwegian krone	118,027	33,805	-	-	-	151,832
Peruvian nuevo sol	601	-	-	-	-	601
Philippine peso	4,546	989	-	-	-	5,535
Polish zloty	16,372	22,913	-	-	-	39,285
Russian ruble (new)	24,143	-	2,864	-	2,599	29,606
Singapore dollar	29,683	41,729	-	-	-	71,412
Slovak koruna	6,340	-	-	-	-	6,340
South African rand	11,947	30,960	-	-	-	42,907
South Korean won	7,416	132,917	-	-	-	140,333
Swedish krona	43,509	75,880	1,151	-	-	120,540
Swiss franc	65,301	208,111	-	-	-	273,412
Thai baht	-	15,154	-	-	-	15,154
Turkish lira	2,217	18,307	3,078	-	7,943	31,545
Total	$ 499,473	$ 3,408,364	$ 89,294	$ 184,808	$ 35,934	$ 4,217,873

Investments in forward currency contract investments are commitments to purchase or sell stated amounts of foreign currency. Changes in market value of open contracts are immediately recognized as gains or losses. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of June 30, 2007, the fair value of open contracts is summarized as follows (in thousands):

Purchase contracts	$ 9,939,724
Sales contracts	(9,929,258)
Net fair value	$ 10,466

The Retirement System utilized these contracts to hedge (or decrease) the currency risk of foreign investments, to increase investment exposure in foreign currencies beyond the amounts reported as international investment securities, or to settle trades. Additionally, contracts may be used to effectively cancel previous contracts. The impact on market risk of these contracts can be summarized as follows (in thousands):

Contracts used to hedge or to settle trades, net	$ (1,958,748)
Contracts used to increase investment exposure in a foreign currency or to settle trades, net	1,969,214
Net fair value	$ 10,466

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Collateral cash is pledged at 102% and securities at 105% of the fair market value of domestic securities and non-domestic securities lent. There are no restrictions on the amount of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral.

The Retirement System lent $2.6 billion in securities and received collateral of $0.4 billion and $2.2 billion in securities and cash, respectively, from borrowers. The Retirement System's securities lending transactions as of June 30, 2007, are summarized in the following table (in thousands):

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities Loaned for Cash Collateral:			
International Equities	$ 597,707	$ 626,777	$ -
International Government Fixed	5,147	5,421	-
U.S. Agencies	211,666	215,666	-
U.S. Corporate Fixed	163,124	166,855	-
U.S. Equities	671,152	687,093	-
U.S. Government Fixed	508,822	518,867	-
Securities Loaned with Non-Cash Collateral:			
International Equities	303,724	-	319,919
International Government Fixed	33,971	-	35,688
International UK Gilt	991	-	1,046
U.S. Corporate Fixed	7,119	-	7,246
U.S. Equities	61,134	-	62,851
U.S. Government Fixed	12,008	-	12,263
Total	$ 2,576,565	$ 2,220,679	$ 439,013

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. As of June 30, 2007, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. In addition, the lending agent indemnifies the Retirement System against all borrower defaults.

(g) Supplemental disclosure of non-cash investing, capital and financing activities

San Francisco International Airport

In November 2006, the San Francisco International Airport (SFO) issued Second Series Revenue Refunding Bonds Issue 32 F/G/H. The $453 million were issued as fixed rate bonds and the proceeds were used to refund certain revenue bonds previously issued.

San Francisco Water Enterprise

During fiscal year 2006-2007, the Water Enterprise issued 2006 Water Revenue Refunding Bonds, Series C in the amount of $48.7 million for the purpose of refunding a portion of the outstanding 1996 Series A Bonds maturing on and after November 2007.

Other Non-Cash Transactions

The following represents the other non-cash transactions as of June 30, 2007 (in thousands):

	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water & Power	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Internal Service Funds	Total 2007
Donated inventory	$ -	$ -	$ -	$ 1,890	$ -	$ -	$ -	$ 1,890
Tenant Improvements	-	-	-	-	-	589	-	589
Acquisition of capital assets on accounts payable and capital leases	16,578	29,071	5,122	786	4,090	920	4,399	60,966
Land acquired through real property exchange	-	354	-	-	-	-	-	354
Total	$ 16,578	$ 29,425	$ 5,122	$ 2,676	$ 4,090	$ 1,509	$ 4,399	$ 63,799

(6) PROPERTY TAXES

The City is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are due on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the dates of the underlying transaction.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property or on 1% of the sales price of the property on sales transactions or construction value added after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2% per year or inflation.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39 which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for debt service amounted to approximately $122 million for the year ended June 30, 2007.

Taxable valuation for the year ended June 30, 2007 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Redevelopment Agency) was approximately $117 billion, an increase of 9.5%. The secured tax rate was $1.135 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: $0.65 for general government, $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also $0.135 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 2.44% and 3.57%, respectively, of the current year tax levy, for an average delinquency rate of 2.52% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the County; in return, as the delinquent property taxes and associated penalties and interest are collected, the County retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required, transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve, as of June 30, 2007 was $13.2 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2007, was as follows (in thousands):

Governmental Activities:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 143,640	$ 8,291	$ (14)	$ 151,917
Construction in progress	360,887	155,463	(190,522)	325,828
Total capital assets, not being depreciated	504,527	163,754	(190,536)	477,745
Capital assets, being depreciated:				
Facilities and improvements	2,364,110	268,947	(307)	2,632,750
Machinery and equipment	275,424	25,301	(3,050)	297,675
Infrastructure	255,260	27,541	-	282,801
Property held under lease	139	-	-	139
Total capital assets, being depreciated	2,894,933	321,789	(3,357)	3,213,365
Less accumulated depreciation for:				
Facilities and improvements	479,158	45,428	(135)	524,451
Machinery and equipment	230,642	16,496	(3,009)	244,129
Infrastructure	14,659	6,963	-	21,622
Property held under lease	139	-	-	139
Total accumulated depreciation	724,598	68,887	(3,144)	790,341
Total capital assets, being depreciated, net	2,170,335	252,902	(213)	2,423,024
Governmental activities capital assets, net	$ 2,674,862	$ 416,656	$ (190,749)	$ 2,900,769

Business-type Activities:

Capital asset activity of the business enterprises for the year ended June 30, 2007, was as follows (in thousands):

San Francisco International Airport

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 2,316	$ -	$ -	$ 2,316
Construction in progress	68,190	106,009	(105,584)	68,615
Total capital assets, not being depreciated	70,506	106,009	(105,584)	70,931
Capital assets, being depreciated:				
Facilities and improvements	4,817,171	103,743	(685)	4,920,229
Machinery and equipment	68,628	3,084	(8,473)	63,239
Easements	139,367	-	-	139,367
Total capital assets, being depreciated	5,025,166	106,827	(9,158)	5,122,835
Less accumulated depreciation for:				
Facilities and improvements	1,297,599	133,754	(458)	1,430,895
Machinery and equipment	61,293	2,098	(8,425)	54,966
Easements	80,009	6,955	-	86,964
Total accumulated depreciation	1,418,901	142,807	(8,883)	1,552,825
Total capital assets, being depreciated, net	3,606,265	(35,980)	(275)	3,570,010
Capital assets, net	$ 3,676,771	$ 70,029	$ (105,859)	$ 3,640,941

San Francisco Water Enterprise

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 17,929	$ 354	$ (6)	$ 18,277
Construction in progress	199,655	216,788	(105,345)	311,098
Total capital assets, not being depreciated	217,584	217,142	(105,351)	329,375
Capital assets, being depreciated:				
Facilities and improvements	1,074,491	92,636	(1,054)	1,166,073
Machinery and equipment	116,893	5,977	(286)	122,584
Total capital assets, being depreciated	1,191,384	98,613	(1,340)	1,288,657
Less accumulated depreciation for:				
Facilities and improvements	424,816	35,218	(1,053)	458,981
Machinery and equipment	76,398	8,677	(279)	84,796
Total accumulated depreciation	501,214	43,895	(1,332)	543,777
Total capital assets, being depreciated, net	690,170	54,718	(8)	744,880
Capital assets, net	$ 907,754	$ 271,860	$ (105,359)	$ 1,074,255

Hetch Hetchy Water and Power

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 4,215	$ -	$ -	$ 4,215
Construction in progress	53,630	23,536	(18,041)	59,125
Total capital assets, not being depreciated	57,845	23,536	(18,041)	63,340
Capital assets, being depreciated:				
Facilities and improvements	452,785	11,872	-	464,657
Machinery and equipment	40,563	2,307	(106)	42,764
Total capital assets, being depreciated	493,348	14,179	(106)	507,421
Less accumulated depreciation for:				
Facilities and improvements	252,313	9,285	-	261,598
Machinery and equipment	28,807	1,634	(98)	30,343
Total accumulated depreciation	281,120	10,919	(98)	291,941
Total capital assets, being depreciated, net	212,228	3,260	(8)	215,480
Capital assets, net	$ 270,073	$ 26,796	$ (18,049)	$ 278,820

Municipal Transportation Agency

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 26,245	$ -	$ -	$ 26,245
Construction in progress	461,214	161,649	(325,427)	297,436
Total capital assets, not being depreciated	487,459	161,649	(325,427)	323,681
Capital assets, being depreciated:				
Facilities and improvements	387,423	18,910	(517)	405,816
Machinery and equipment	1,081,264	28,158	(10,102)	1,099,320
Infrastructure	719,066	284,128	-	1,003,194
Total capital assets, being depreciated	2,187,753	331,196	(10,619)	2,508,330
Less accumulated depreciation for:				
Facilities and improvements	161,796	8,890	-	170,686
Machinery and equipment	368,952	61,158	(8,917)	421,193
Infrastructure	254,589	22,876	-	277,465
Total accumulated depreciation	785,337	92,924	(8,917)	869,344
Total capital assets, being depreciated, net	1,402,416	238,272	(1,702)	1,638,986
Capital assets, net	$ 1,889,875	$ 399,921	$ (327,129)	$ 1,962,667

San Francisco General Hospital Medical Center

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 542	$ -	$ -	$ 542
Construction in progress	4,429	8,473	(7,182)	5,720
Total capital assets, not being depreciated	4,971	8,473	(7,182)	6,262
Capital assets, being depreciated:				
Facilities and improvements	130,798	3,361	-	134,159
Machinery and equipment	51,674	2,443	-	54,117
Total capital assets, being depreciated	182,472	5,804	-	188,276
Less accumulated depreciation for:				
Facilities and improvements	91,422	3,787	-	95,209
Machinery and equipment	42,052	3,045	-	45,097
Total accumulated depreciation	133,474	6,832	-	140,306
Total capital assets, being depreciated, net	48,998	(1,028)	-	47,970
Capital assets, net	$ 53,969	$ 7,445	$ (7,182)	$ 54,232

San Francisco Wastewater Enterprise

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 22,168	$ -	$ -	$ 22,168
Construction in progress	56,796	57,549	(71,489)	42,856
Total capital assets, not being depreciated	78,964	57,549	(71,489)	65,024
Capital assets, being depreciated:				
Facilities and improvements	1,957,165	61,777	-	2,018,942
Machinery and equipment	34,776	11,490	(42)	46,224
Total capital assets, being depreciated	1,991,941	73,267	(42)	2,065,166
Less accumulated depreciation for:				
Facilities and improvements	735,503	34,940	-	770,443
Machinery and equipment	22,575	1,743	(41)	24,277
Total accumulated depreciation	758,078	36,683	(41)	794,720
Total capital assets, being depreciated, net	1,233,863	36,584	(1)	1,270,446
Capital assets, net	$ 1,312,827	$ 94,133	$ (71,490)	$ 1,335,470

Port of San Francisco

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 120,454	$ 591	$ -	$ 121,045
Construction in progress	35,911	11,474	(13,423)	33,962
Total capital assets, not being depreciated	156,365	12,065	(13,423)	155,007
Capital assets, being depreciated:				
Facilities and improvements	282,503	13,107	-	295,610
Machinery and equipment	14,359	741	(185)	14,915
Total capital assets, being depreciated	296,862	13,848	(185)	310,525
Less accumulated depreciation for:				
Facilities and improvements	173,900	9,239	-	183,139
Machinery and equipment	9,203	1,013	(185)	10,031
Total accumulated depreciation	183,103	10,252	(185)	193,170
Total capital assets, being depreciated, net	113,759	3,596	-	117,355
Capital assets, net	$ 270,124	$ 15,661	$ (13,423)	$ 272,362

Laguna Honda Hospital

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 914	$ -	$ -	$ 914
Construction in progress	133,827	102,050	-	235,877
Total capital assets, not being depreciated	134,741	102,050	-	236,791
Capital assets, being depreciated:				
Facilities and improvements	28,107	-	-	28,107
Machinery and equipment	13,129	409	-	13,538
Property held under lease	2,845	-	-	2,845
Total capital assets, being depreciated	44,081	409	-	44,490
Less accumulated depreciation for:				
Facilities and improvements	23,550	727	-	24,277
Machinery and equipment	12,201	245	-	12,446
Property held under lease	238	123	-	361
Total accumulated depreciation	35,989	1,095	-	37,084
Total capital assets, being depreciated, net	8,092	(686)	-	7,406
Capital assets, net	$ 142,833	$ 101,364	$ -	$ 244,197

Other Fund – San Francisco Market Corporation

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, being depreciated:				
Facilities and improvements	$ 9,595	$ 43	$ -	$ 9,638
Machinery and equipment	55	1	-	56
Total capital assets, being depreciated	9,650	44	-	9,694
Less accumulated depreciation for:				
Facilities and improvements	4,808	273	-	5,081
Machinery and equipment	14	9	-	23
Total accumulated depreciation	4,822	282	-	5,104
Total capital assets, being depreciated, net	4,828	(238)	-	4,590
Capital assets, net	$ 4,828	$ (238)	$ -	$ 4,590

Total Business-type Activities

	Balance July 1, 2006	Increases*	Decreases*	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 194,783	$ 945	$ (6)	$ 195,722
Construction in progress	1,013,652	687,528	(646,491)	1,054,689
Total capital assets, not being depreciated	1,208,435	688,473	(646,497)	1,250,411
Capital assets, being depreciated:				
Facilities and improvements	9,140,038	305,449	(2,256)	9,443,231
Machinery and equipment	1,421,341	54,610	(19,194)	1,456,757
Infrastructure	719,066	284,128	-	1,003,194
Property held under lease	2,845	-	-	2,845
Easements	139,367	-	-	139,367
Total capital assets, being depreciated	11,422,657	644,187	(21,450)	12,045,394
Less accumulated depreciation for:				
Facilities and improvements	3,165,707	236,113	(1,511)	3,400,309
Machinery and equipment	621,495	79,622	(17,945)	683,172
Infrastructure	254,589	22,876	-	277,465
Property held under lease	238	123	-	361
Easements	60,009	6,955	-	66,964
Total accumulated depreciation	4,102,038	345,689	(19,456)	4,428,271
Total capital assets, being depreciated, net	7,320,619	298,498	(1,994)	7,617,123
Capital assets, net	$ 8,529,054	$ 986,971	$ (648,491)	$ 8,867,534

* The increases and decreases include transfers of categories of capital assets from properties held under lease to facilities and improvements.

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities	
Public protection	$ 9,458
Public works, transportation, and commerce	12,611
Human welfare and neighborhood development	503
Community health	948
Culture and recreation	27,605
General administration and finance	16,275
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	1,487
Total depreciation expense - governmental activities	$ 68,887
Business-type activities:	
Airport	142,807
Water	43,895
Power	10,919
Transportation	92,924
Hospitals	7,927
Sewer	36,683
Port	10,252
Market	282
Total depreciation expense - business-type activities	$ 345,689

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy), the Wastewater Enterprise, the Municipal Transportation Agency (MTA), Laguna Honda Hospital (LHH), and the Port of San Francisco (Port) that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of MTA, building and structures of LHH, and pier substructures of the Port and totaled $1.6 billion as of June 30, 2007. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $4.5 million as of June 30, 2007.

In fiscal year 2006-2007, the Airport determined that the original estimates of the useful life of certain fixed assets were too short relative to their economic life. Based on a combined engineering and architectural reevaluation of certain Airport facilities and the 2006 Pavement Survey report, the useful lives of specific fixed assets with a total value of $742 million were extended an additional 5 to 30 years; these fixed assets include drainage, runways, taxiways, roadways, and buildings. Depreciation expenses related to these assets were $32.3 million prior to the adjustment; the adjusted depreciation expense aggregated $15.8 million, a net reduction in annual depreciation of $16.5 million.

During the fiscal year ended June 30, 2007, the City's enterprise funds incurred total interest expense and interest income of approximately $268 million and $85.7 million, respectively. Of these amounts, interest expense of approximately $16.6 million was capitalized, while no interest income was received as part of the cost of constructing proprietary capital assets.

During fiscal year ended June 30, 2007, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $10.2 million, $4.6 million, and $0.7 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued. The amounts of the write-off were recognized as other operating expense in the accompanying financial statements.

Component Unit –Redevelopment Agency

Capital asset activity of the Redevelopment Agency for the year ended June 30, 2007 was as follows (in thousands):

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Property held under lease	$ 104,968	$ 6,504	$ -	$ 111,472
Construction in progress	14,997	-	-	14,997
Total capital assets, not being depreciated/amortized	119,965	6,504	-	126,469
Capital assets, being depreciated:				
Facilities and improvements	172,325	609	-	172,934
Machinery and equipment	8,068	-	-	8,068
Leasehold improvements	22,202	-	-	22,202
Total capital assets, being depreciated	202,595	609	-	203,204
Less accumulated depreciation and amortization for:				
Facilities and improvements	40,071	4,323	-	44,394
Machinery and equipment	7,668	115	-	7,783
Leasehold improvements	8,218	444	-	8,662
Total accumulated depreciation and amortization	55,957	4,882	-	60,839
Total capital assets, being depreciated, net	146,638	(4,273)	-	142,365
Redevelopment Agency capital assets, net	$ 266,603	$ 2,231	$ -	$ 268,834

(8) Bonds, Loans, Capital Leases and Other Payables

Short-Term Obligations

The following is a summary of short-term obligations of the City as of June 30, 2007 (in thousands):

Type of Obligation	Final Maturity Date	Interest Rates	Amount
Governmental activities:			
Commercial paper	2007	3.35 to 3.66%	$ 150,000
Enterprise activities:			
Commercial paper			
San Francisco Wastewater Enterprise	2007	3.59 to 3.7%	$ 50,000

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and enterprise activities for the year ended June 30, 2007, are as follows (in thousands):

	July 1, 2006	Additional Obligations	Current Maturities	June 30, 2007
Governmental activities:				
Commercial paper	$ 150,000	$ 150,000	$ (150,000)	$ 150,000
Governmental activities short-term obligations	$ 150,000	$ 150,000	$ (150,000)	$ 150,000
Enterprise activities:				
Commercial paper				
San Francisco Wastewater Enterprise	$ -	$ 100,000	$ (50,000)	$ 50,000
Business-type activities short-term obligations	$ -	$ 100,000	$ (50,000)	$ 50,000

San Francisco County Transportation Authority Commercial Paper Notes

In March 2004, the San Francisco County Transportation Authority (the Authority) authorized the issuance of an initial tranche of up to $50 million and in August 2004, the Authority authorized the second tranche of $100 million of a programmed $200 million aggregate principal amount of commercial paper notes (Limited Tax Bonds), Series A and B. The commercial paper notes are issued to provide an interim source of financing for the Authority's Proposition K Expenditure Plan until a permanent financing plan is finalized and implemented. Under this program, the Authority is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable Letter of Credit (LOC), issued by Landesbank Baden-Württemberg, New York Branch in the amount up to $217.8 million. On July 12, 2005, the expiration date of the irrevocable LOC was extended from April 14, 2007 to December 29, 2015 through Authority Board Resolution 06-01. The commercial paper notes are secured by a first lien gross pledge of the Authority's sales tax. The principal and interest on the commercial paper notes is payable at each maturity.

As of June 30, 2007, $150 million in commercial paper notes was outstanding and maturing within 1 to 120 days after year-end with interest rates ranging from 3.35% to 3.66%.

San Francisco Wastewater Enterprise

The San Francisco Public Utilities Commission and Board of Supervisors have authorized the issuance of up to $150 million in commercial paper under the voter-approved 2002 Proposition E. The commercial paper program is supported by a letter of credit issued by BNP Paribas as of February 2007, and through the U.S. Bank Trust N.A., as the agent bank as of February 2007. For the year ended June 30, 2007, the

Wastewater Enterprise had $50 million in commercial paper notes outstanding with interest rates ranging from 3.59% to 3.7%.

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2007 (in thousands):

GOVERNMENTAL ACTIVITIES

Type of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS (a):			
Affordable housing	2021	4.0 to 7.05%	$ 64,780
California Academy of Sciences	2025	3.0 to 5.25%	80,995
Laguna Honda Hospital	2030	3.25 to 5.0%*	299,000
Library	2025	2.5 to 5.0%	64,245
Museums	2019	4.625 to 4.875%	2,355
Parks and playgrounds	2024	2.4 to 5.25%	103,920
Schools	2023	2.4 to 5.125%	29,835
Seismic safety loan program	2026	5.69%	1,944
Steinhart Aquarium	2025	3.0 to 5.0%	27,175
Zoo facilities	2025	2.5 to 5.125%	13,500
Refunding	2020	3.5 to 5.5%	468,195
General obligation bonds - governmental activities			1,155,944
LEASE REVENUE BONDS:			
San Francisco Finance Corporation (b) & (e)	2030	2.2 to 5.5%**	249,550
Lease revenue bonds - governmental activities			249,550
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation (c) & (d)	2040	3.0 to 5.3%	420,620
Loans (c), (d) & (f)	2025	2.0 to 7.498%	11,640
Capital leases payable (c) & (f)	2025	2.5 to 7.05%	185,736
Settlement Obligation Bonds (d)	2011	2.4 to 3.05%	27,095
Accrued vacation and sick leave (d) & (f)			134,213
Accrued workers' compensation (d) & (f)			194,689
Estimated claims payable (d) & (f)			114,431
Other long-term obligations - governmental activities			1,088,424
DEFERRED AMOUNTS:			
Bond issuance premiums			26,997
Bond issuance discounts			(4,107)
Bond refunding			(10,321)
Deferred amounts			12,569
Governmental activities total long-term obligations			$ 2,506,487

Debt service payments are made from the following sources:

(a) Property tax recorded in the Debt Service Fund.

(b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.

(c) Revenues recorded in the Special Revenue Funds.

(d) Revenues recorded in the General Fund.

(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.

(f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

* Laguna Honda Hospital General Obligation Bonds Series 2005 A and Series 2005 I are fixed rate bonds. Series 2005 B, C and D are variable rate bonds that reset weekly. The remaining interest rates stated above are for Series 2005 A and Series 2005 I. The average interest rate for the variable rate bonds from issuance date of May 26, 2005 through June 30, 2007 was 3.14%. The rate at June 30, 2007 was 3.62%.

** Includes the Moscone Center West Expansion Project, which was financed with variable rate bonds that reset weekly. The average interest rate from issuance date of November 2, 2000 through June 30, 2007 was 2.05%. The rate at June 30, 2007 was 3.62%.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds	2032	3.0 to 8.0%*	$ 3,952,300
San Francisco Water Enterprise:			
Revenue bonds	2036	3.125 to 6.25%	966,080
Accreted interest			3,155
Hetch Hetchy Water and Power:			
Notes, loans, and other payables	2010	3.0%	390
Municipal Transportation Agency:			
Parking and Traffic			
Revenue bonds	2020	4.0 to 5.0%	19,090
Lease revenue bonds	2022	3.875 to 5.5%	8,405
Capital leases	2008	2.50%	19
Notes, loans and other payables**	2010	3.0 to 5.25%	11,617
Downtown Parking - parking revenue refunding bonds	2018	4.0 to 5.375%	10,060
Ellis-O'Farrell - parking revenue refunding bonds	2017	3.5 to 4.7%	4,595
Japan Center Garage Corporation - notes, loans and other payables	2008	6.75%	90
Uptown Parking - revenue bonds	2031	4.5 to 6.0%	17,790
San Francisco General Hospital Medical Center:			
Capital leases	2011	4.25%	3,363
San Francisco Wastewater Enterprise:			
Revenue bonds	2025	3.0 to 5.25%	362,825
State of California - Revolving fund loans	2021	2.8 to 3.5%	102,438
Port of San Francisco:			
Revenue bonds	2010	2.25 to 4.0%	12,575
Notes, loans and other payables	2029	4.5%	3,195
Laguna Honda Hospital:			
Capital leases	2009	3.465%	1,117
Accrued vacation and sick leave			84,899
Accrued workers' compensation			146,439
Estimated claims payable			78,509
Deferred Amounts:			
Bond issuance premiums			95,437
Bond issuance discounts			(11,302)
Bond refunding			(116,291)
Business-type activities total long-term obligations			$ 5,756,795

* Includes Second Series Revenue Bonds Issue 31 A / E and 32 A / E, which were issued in an auction mode and Issue 33 initially issued as variable rate bonds in a weekly mode. The average interest rates on the Issue 31 A / E and 32 A / E were 3.557% and 3.527% respectively for the period July 1, 2006 through June 30, 2007. The average interest rate on the Issue 33 bonds from July 1, 2006 through June 30, 2007 was 3.557%.

** Includes an unamortized loan premium of $0.5 million for Parking and Traffic.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in their respective enterprise funds.

COMPONENT UNIT

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
SAN FRANCISCO REDEVELOPMENT AGENCY AND FINANCING AUTHORITY:			
Lease Revenue Bonds:			
Moscone Convention Center (a)	2025	2.5 to 7.05%	$ 127,499
Hotel Tax Revenue Bonds (b)	2026	4.4 to 6.75%	62,300
Financing Authority Bonds:			
Tax Allocation Revenue Bonds (c)	2037	2.0 to 8.3%	575,994
South Beach Harbor Variable Rate Refunding Bonds (d)	2017	Variable (3.73% at 6/30/07)	7,700
Less deferred amounts:			
Bond issuance premiums			7,908
Bond issuance discounts			(733)
Refunding loss			(3,729)
Sub-total			776,939
California Department of Boating and Waterways Loan (e)	2037	4.5%	7,999
Accreted interest payable			70,041
Accrued vacation and sick leave pay			2,544
Component unit total long-term obligations			$ 857,523

Debt service payments are made from the following sources:

(a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.

(b) Hotel taxes from hotels located in the Redevelopment Project Areas.

(c) Property taxes allocated to the Redevelopment Agency based on increased assessed valuations in project areas (note 12) and existing debt service/escrow trust funds.

(d) South Beach Harbor Project cash reserves, property tax increments and project revenues.

(e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2007, the City's debt limit (3% of valuation subject to taxation) was $3.7 billion. The total amount of debt applicable to the debt limit was $1.1 billion. The resulting legal debt margin was $2.6 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and certificates of participation and has recognized an arbitrage liability of $1.9 million as of June 30, 2007. This arbitrage liability is reported in deferred credits and other liabilities in the governmental activities of the statement of net assets. The Finance Corporation has evaluated their lease revenue bonds and a liability of $0.4 million was reported in the deferred credits and other liabilities in the governmental activities and Internal Service Fund as of June 30, 2007. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been

recorded as a liability in the respective fund. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

Assessment District

During June 1996, the City issued $1 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915. The proceeds were used to finance the construction of a new public right-of-way. The bonds began to mature during the fiscal year ended June 30, 1999 and continue through 2026 bearing interest from 6.0% to 6.85%. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accordingly, the debt has not been included in the basic financial statements. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels.

Mortgage Revenue Bonds

In order to facilitate affordable housing, the City issues mortgage revenue bonds for the financing of multifamily rental housing and for below-market rate mortgage financing for first time homebuyers. These obligations are secured by the related mortgage indebtedness and are not obligations of the City. As of June 30, 2007, the aggregate outstanding obligation of such bonds was $85.1 million.

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2007, are as follows (in thousands):

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,232,205	$ 159,255	$ (235,516)	$ 1,155,944	$ 89,589
Lease revenue bonds	231,265	38,835	(20,550)	249,550	21,380
Certificates of participation	276,160	153,700	(9,240)	420,620	8,420
Settlement obligation bonds	32,955	-	(5,860)	27,095	6,510
Less deferred amounts:					
For issuance premiums	24,983	3,908	(1,894)	26,997	-
For issuance discounts	(2,341)	(1,856)	90	(4,107)	-
On refunding	(5,092)	(6,285)	1,056	(10,321)	-
Total bonds payable	1,790,135	347,557	(271,914)	1,865,778	125,899
Loans	12,377	141	(878)	11,640	933
Capital leases	190,279	8,805	(13,348)	185,736	17,040
Accrued vacation and sick leave pay	132,524	86,411	(84,722)	134,213	70,100
Accrued workers' compensation	202,481	28,038	(35,830)	194,689	38,963
Estimated claims payable	69,477	64,389	(19,435)	114,431	52,527
Governmental activities long-term obligations	$ 2,397,273	$ 535,341	$ (426,127)	$ 2,506,487	$ 305,462

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. At the year ended June 30, 2007, $250.1

million of lease revenue bonds, $0.2 million of capital leases, $3.6 million of accrued vacation and sick leave pay and $0.8 million of accrued workers' compensation are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2007, are as follows (in thousands):

	July 1, 2006	Additions, Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
San Francisco International Airport					
Bonds payable:					
Revenue bonds	$ 4,046,006	$ 453,000	$ (540,706)	$ 3,952,300	$ 90,100
Less deferred amounts:					
For issuance premiums	19,479	30,888	(2,205)	48,162	-
For issuance discounts	(15,497)	-	4,195	(11,302)	-
On refunding	(66,781)	(20,817)	7,143	(80,455)	-
Total Bonds payable	3,982,207	463,071	(540,573)	3,908,705	90,100
Accrued vacation and sick leave pay	12,332	9,794	(9,289)	12,837	8,733
Accrued workers' compensation	4,952	1,878	(2,253)	4,577	1,141
Estimated claims payable	37	294	(291)	40	15
Long-term obligations	$ 3,999,543	$ 480,037	$ (552,206)	$ 3,927,344	$ 97,989
San Francisco Water Enterprise					
Bonds payable:					
Revenue bonds	$ 981,765	$ 48,730	$ (64,415)	$ 966,080	$ 18,172
Less deferred amounts:					
For issuance premiums	27,487	503	(1,979)	26,012	-
For issuance discounts	(1,268)	-	1,268	-	-
On refunding	(13,539)	(2,861)	1,702	(12,698)	-
Total bonds payable	994,425	46,372	(63,183)	977,594	18,172
Accrued interest payable	2,845	210	-	3,155	-
Accrued vacation and sick leave pay	10,395	8,146	(7,870)	10,671	8,781
Accrued workers' compensation	8,719	1,558	(2,201)	8,076	1,899
Estimated claims payable	5,800	4,518	(3,784)	6,534	1,852
Long-term obligations	$ 1,022,284	$ 60,804	$ (77,078)	$ 1,007,210	$ 29,292
Hetch Hetchy Water and Power					
Notes, loans, and other payables	$ 454	$ -	$ (104)	$ 350	$ 107
Accrued vacation and sick leave pay	2,142	1,445	(1,272)	2,315	1,279
Accrued workers' compensation	1,808	881	(633)	2,056	429
Estimated claims payable	4,995	2,718	(2,535)	4,752	1,858
Long-term obligations	$ 9,572	$ 5,044	$ (4,544)	$ 9,572	$ 3,469
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds	$ 53,985	$ -	$ (2,450)	$ 51,535	$ 2,555
Lease revenue bonds	9,455	-	(1,350)	8,105	1,095
Less deferred amounts:					
For issuance premiums	908	-	(34)	874	-
Total Bonds payable	64,348	-	(3,834)	60,514	3,650
Notes, loans, and other payables	16,244	-	(4,537)	11,707 *	4,530
Capital leases	57	-	(39)	18	18
Accrued vacation and sick leave pay	24,711	21,757	(19,868)	26,600	13,465
Accrued workers' compensation	106,290	4,371	(18,740)	93,921	20,423
Estimated claims payable	59,874	8,892	(11,554)	57,212	13,425
Long-term obligations	$ 271,524	$ 35,020	$ (58,561)	$ 249,983	$ 55,502

* Includes an unamortized loan premium of $2.5 million for Parking and Traffic.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2007, are as follows (in thousands) - continued:

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
San Francisco General Hospital Medical Center					
Capital leases	$ 3,800	$ 636	$ (1,073)	$ 3,363	$ 1,183
Accrued vacation and sick leave pay	15,188	12,594	(11,596)	16,186	9,334
Accrued workers' compensation	20,714	4,431	(5,385)	19,760	3,713
Long-term obligations	$ 39,702	$ 17,661	$ (18,054)	$ 39,309	$ 14,230
San Francisco Wastewater Enterprise					
Bonds payable:					
Revenue bonds	$ 396,270	$ -	$ (33,445)	$ 362,825	$ 34,500
Less deferred amounts:					
For issuance premiums	19,375	-	(1,005)	18,370	-
On refunding	(21,670)	-	1,726	(19,944)	-
Total bonds payable	393,975	-	(32,724)	361,251	34,500
State of California - Revolving fund loans	118,868	-	(16,430)	102,438	13,337
Accrued vacation and sick leave pay	4,316	3,093	(2,679)	4,730	2,588
Accrued workers' compensation	4,173	735	(764)	4,144	804
Estimated claims payable	5,979	3,086	(354)	8,711	2,136
Long-term obligations	$ 527,311	$ 6,914	$ (52,951)	$ 481,274	$ 53,365
Port of San Francisco					
Bonds payable:					
Revenue bonds	$ 16,550	$ -	$ (3,975)	$ 12,575	$ 4,070
Less deferred amounts:					
For issuance premiums	227	-	(75)	152	-
On refunding	(786)	262	-	(524)	-
Total bonds payable	15,991	262	(4,050)	12,203	4,070
Notes, loans, and other payables	3,279	-	(84)	3,195	88
Accrued vacation and sick leave pay	1,779	1,684	(1,525)	1,938	1,083
Accrued workers' compensation	3,119	100	(472)	2,747	478
Estimated claims payable	1,364	162	(426)	1,100	600
Long-term obligations	$ 25,532	$ 2,208	$ (6,557)	$ 21,183	$ 6,319
Laguna Honda Hospital					
Capital leases	$ 1,665	$ -	$ (548)	$ 1,117	$ 519
Accrued vacation and sick leave pay	8,702	7,135	(6,623)	9,214	5,488
Accrued workers' compensation	11,759	1,661	(2,852)	10,568	2,143
Long-term obligations	$ 22,126	$ 8,796	$ (10,023)	$ 20,899	$ 8,150

A summary of the changes in long-term obligations for all enterprise funds for the year ended June 30, 2007, is as follows (in thousands):

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
Total Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 5,496,576	$ 501,730	$ (652,991)	$ 5,345,315	$ 150,395
Lease revenue bonds	9,455	-	(1,050)	8,405	1,095
Less deferred amounts:					
For issuance premiums	64,473	36,391	(5,427)	95,437	-
For issuance discounts	(16,765)	-	5,463	(11,302)	-
On refunding	(102,776)	(23,416)	9,901	(116,291)	-
Total bonds payable	5,450,963	514,705	(644,104)	5,321,564	151,490
Accreted interest payable	2,945	210	-	3,155	-
State of California - Revolving fund loans	118,868	-	(16,430)	102,438	13,337
Notes, loans, and other payables	20,017	-	(4,725)	15,292	4,715
Capital leases	5,522	636	(1,659)	4,499	1,721
Accrued vacation and sick leave pay	79,563	65,648	(60,312)	84,899	47,728
Accrued workers' compensation	161,654	15,715	(30,930)	146,439	30,829
Estimated claims payable	77,783	19,660	(18,934)	78,509	21,486
Business-type activities long-term obligations	$ 5,917,315	$ 616,574	$ (777,094)	$ 5,756,795	$ 271,306

The changes in long term obligations for the component unit for the year ended June 30, 2007, are as follows (in thousands):

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year	
Component Unit: San Francisco Redevelopment Agency						
Bonds payable:						
Revenue bonds	$ 708,343	$ 85,241	$ (27,791)	$ 765,793	$ 36,507	
Refunding bonds	8,500	-	(800)	7,700	-	
Less deferred amounts:						
For issuance premiums	8,604	-	(696)	7,908	-	
For issuance discounts	(671)	(103)	41	(733)	-	
On refunding	(4,043)	-	314	(3,729)	-	
Total bonds payable	720,733	85,138	(28,932)	776,939	36,507	
Accreted interest payable	74,151	9,465	(13,575)	70,041	9,749	[1]
Notes, loans, and other payables	8,000	-	(1)	7,999	7	
Accrued vacation and sick leave pay	2,807	18	(281)	2,544	1,219	
Component unit - long-term obligations	$ 805,691	$ 94,621	$ (42,789)	$ 857,523	$ 47,482	

[1] This amount is included in accrued interest payable in the accompanying Statement of Net Assets.

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2007, for governmental activities are as follows (in thousands):

	Governmental Activities (1) (2)							
Fiscal Year Ending	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 89,589	$ 53,401	$ 21,380	$ 9,900	$ 15,863	$ 19,371	$ 126,832	$ 82,672
2009	95,303	49,211	21,605	9,147	18,191	20,199	135,099	78,557
2010	89,646	44,791	13,580	8,332	19,361	19,547	122,587	72,670
2011	91,310	40,463	11,675	7,802	20,087	18,811	123,072	67,076
2012	79,774	36,292	9,345	7,370	13,642	18,003	102,761	61,665
2013-2017	307,209	131,419	41,605	31,422	69,822	80,830	418,636	243,671
2018-2022	218,594	67,332	46,080	22,536	62,670	64,827	327,344	154,695
2023-2027	127,689	25,999	52,380	12,389	69,134	48,792	249,203	87,180
2028-2032	56,830	4,761	31,900	2,398	83,540	30,584	172,270	37,743
2033-2037	-	-	-	-	54,940	12,353	54,940	12,353
2038-2042	-	-	-	-	32,105	2,969	32,105	2,969
Total	$ 1,155,944	$ 453,669	$ 249,550	$ 111,296	$ 459,355	$ 336,286	$ 1,864,849	$ 901,251

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) Includes the following variable rate demand notes, the Moscone Center Expansion Project Lease Revenue Bonds and Laguna Honda Hospital General Obligation Bonds. Currently, they bear interest at a weekly rate. The rate at June 30, 2007 was 3.62%, together with an ancillary fee of 0.242% and 0.255% for Moscone bonds and Laguna Honda bonds respectively, was used to project the interest payment in this table.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2007, for each enterprise fund is as follows (in thousands):

	San Francisco International Airport (1)					
Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 90,100	$ 182,596	$ -	$ -	$ 90,100	$ 182,596
2009	102,435	178,945	-	-	102,435	178,945
2010	114,100	173,554	-	-	114,100	173,554
2011	140,545	169,081	-	-	140,545	169,081
2012	151,545	162,064	-	-	151,545	162,064
2013-2017	835,360	716,040	-	-	835,360	716,040
2018-2022	1,023,310	601,392	-	-	1,023,310	601,392
2023-2027	1,063,495	327,600	-	-	1,063,495	327,600
2028-2032	431,410	46,091	-	-	431,410	46,091
Total	$ 3,952,300	$ 2,557,363	$ -	$ -	$ 3,952,300	$ 2,557,363

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2007, for each enterprise fund is as follows (in thousands) - continued:

San Francisco Water Enterprise (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 19,170	$ 45,023	$ -	$ -	$ 19,170	$ 45,023
2009	25,520	44,065	-	-	25,520	44,065
2010	26,605	42,991	-	-	26,605	42,991
2011	27,795	41,784	-	-	27,795	41,784
2012	29,190	40,401	-	-	29,190	40,401
2013-2017	160,155	179,390	-	-	160,155	179,390
2018-2022	150,475	142,805	-	-	150,475	142,805
2023-2027	175,790	104,216	-	-	175,790	104,216
2028-2032	198,765	59,396	-	-	198,765	59,396
2033-2037	152,615	17,509	-	-	152,615	17,509
Total	$ 966,080	$ 717,580	$ -	$ -	$ 966,080	$ 717,580

Hetch Hetchy Water and Power (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ -	$ -	$ 107	$ 11	$ 107	$ 11
2009	-	-	110	8	110	8
2010	-	-	115	4	115	4
2011	-	-	58	1	58	1
Total	$ -	$ -	$ 390	$ 24	$ 390	$ 24

Municipal Transportation Agency (1) (2)

Fiscal Year Ending	Revenue/Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 3,650	$ 2,498	$ 4,520	$ 506	$ 8,170	$ 3,004
2009	3,810	2,869	6,381	283	10,191	3,152
2010	3,125	2,726	279	61	3,404	2,787
2011	3,260	2,587	-	-	3,260	2,587
2012	3,405	2,438	-	-	3,405	2,438
2013-2017	19,705	9,585	-	-	19,705	9,585
2018-2022	12,795	4,779	-	-	12,795	4,779
2023-2027	4,360	2,564	-	-	4,360	2,564
2028-2032	5,830	1,090	-	-	5,830	1,090
Total	$ 59,940	$ 31,136	$ 11,180	$ 850	$ 71,120	$ 31,986

(1) The specific year for payment of accreted interest payable (San Francisco Water Enterprise), estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) Unamortized loan premiums of $0.5 million (MTA) are not included in principal payments.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2007, for each enterprise fund is as follows (in thousands) - continued:

San Francisco Wastewater Enterprise (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 34,500	$ 15,698	$ 13,337	$ 3,168	$ 47,837	$ 18,866
2009	35,665	14,646	13,761	2,744	49,426	17,390
2010	37,130	13,183	14,198	2,307	51,328	15,490
2011	26,320	11,827	14,650	1,855	40,970	13,682
2012	22,010	10,959	9,594	1,389	31,604	12,348
2013-2017	112,525	37,338	30,372	3,264	142,897	40,602
2018-2022	70,805	15,400	6,526	480	77,331	15,880
2023-2027	23,870	1,470	-	-	23,870	1,470
Total	$ 362,825	$ 120,521	$ 102,438	$ 15,207	$ 465,263	$ 135,728

Port of San Francisco (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 4,070	$ 348	$ 88	$ 144	$ 4,158	$ 492
2009	4,185	222	92	140	4,277	362
2010	4,320	75	96	136	4,416	211
2011	-	-	100	131	100	131
2012	-	-	105	127	105	127
2013-2017	-	-	600	559	600	559
2018-2022	-	-	748	411	748	411
2023-2027	-	-	932	227	932	227
2028-2032	-	-	434	29	434	29
Total	$ 12,575	$ 645	$ 3,195	$ 1,904	$ 15,770	$ 2,549

A summary of the annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2007 for business-type activities is as follows (in thousands):

Total Business-type Activities (1) (2)

Fiscal Year Ending	Revenue/Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 151,490	$ 246,163	$ 18,051	$ 3,829	$ 169,541	$ 249,992
2009	171,615	240,747	20,344	3,175	191,959	243,922
2010	185,280	232,529	14,688	2,508	199,968	235,037
2011	197,920	225,279	14,808	1,987	212,728	227,266
2012	206,150	215,862	9,699	1,516	215,849	217,378
2013-2017	1,127,745	942,353	30,972	3,823	1,158,717	946,176
2018-2022	1,257,385	764,376	7,274	891	1,264,659	765,267
2023-2027	1,267,515	435,850	932	227	1,268,447	436,077
2028-2032	636,005	106,577	434	29	636,439	106,606
2033-2037	152,615	17,509	-	-	152,615	17,509
Total	$ 5,353,720	$ 3,427,245	$ 117,202	$ 17,985	$ 5,470,922	$ 3,445,230

(1) The specific year for payment of accreted interest payable (San Francisco Water Enterprise), estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) Unamortized loan premiums of $0.5 million (MTA) are not included in principal payments.

The annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2007, for the component unit are as follows (in thousands):

	Component Unit: San Francisco Redevelopment Agency (1)							
Fiscal Year Ending	Lease Revenue Bonds		Tax Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 5,544	$ 13,027	$ 28,388	$ 26,394	$ 2,582	$ 3,973	$ 36,514	$ 43,394
2009	5,350	13,289	27,177	26,904	2,652	3,815	35,179	44,008
2010	5,152	13,565	27,597	25,833	2,799	3,610	35,548	43,008
2011	5,019	13,776	29,619	24,649	2,877	3,442	37,515	41,867
2012	4,881	13,992	31,192	22,648	2,962	3,272	39,035	39,912
2013-2017	50,149	44,692	183,163	78,149	22,133	13,612	255,445	136,453
2018-2022	42,420	5,658	147,715	41,974	20,660	8,293	210,795	55,925
2023-2027	8,984	704	44,936	63,458	17,625	3,015	71,545	67,177
2028-2032	-	-	30,872	29,716	2,018	661	32,890	30,377
2033-2037	-	-	25,335	26,124	1,691	178	27,026	26,302
Total	$ 127,499	$ 118,703	$ 575,994	$ 365,849	$ 77,999	$ 43,871	$ 781,492	$ 528,423

(1) The specific year for payment of accreted interest payable and accrued vacation and sick leave pay is not practicable to determine.

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2007, are as follows (in thousands):

Governmental Activities - General Obligation Bonds
(in thousands)

Authorized and unissued as of June 30, 2006	$ 346,065
Bonds issued:	
Seismic Safety Loan Program	(2,000)
Net authorized and unissued as of June 30, 2007	$ 344,065

There were no new authorizations on general obligation bonds in fiscal year ended June 30, 2007.

Seismic Safety Loan Program Government Obligation Bonds

The Seismic Safety Loan Program was approved by the voters of the City and County of San Francisco by Proposition A in November 1992, which authorized the issuance of up to a total of $350 million aggregate principal amount of government obligation bonds to provide funds for loans for the seismic strengthening of privately-owned unreinforced masonry buildings within the City for affordable housing and market-rate residential, commercial and institutional purposes and for related administrative costs. Approximately 2,200 privately-owned unreinforced masonry buildings have been identified by the City. These buildings are located throughout San Francisco, but are concentrated in Chinatown, the Tenderloin and south of Market Street. In July 1992, the Board of Supervisors passed legislation mandating that these buildings be seismically strengthened within specified periods of time. The owners of the unreinforced masonry buildings are eligible to apply for loans under the Loan Program to finance the required seismic strengthening work and certain other legally-required work.

In February 2007 the Board of Supervisors approved Resolution No. 65-07 which authorized the issuance of indebtedness under Proposition A in the amount not to exceed $35 million. Such issuance was achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. In March 2007, the City

made the first borrowing under the Credit Agreement (Seismic Safety Loan Program, 1992) Series 2007A in the amount of $2 million. The first borrowing bears an interest rate of 5.69% with principal amortizing from June 2007 through June 2026. Within the first loan account are two loan sub-accounts, the market loan account and the below market rate loan account. Debt service payments are funded through ad valorem taxes on property and principal repayments from borrowers of the loan program.

Current Refundings

In October 2006, the City issued the General Obligation Refunding Bonds, Series 2006-R1 (Series 2006-R1 Bonds) in the amount of $90.7 million with interest rates ranging from 4.0% to 5.0% (maturing from June 2007 through June 2020) to refund all or a portion of the City's outstanding General Obligation Bonds as follows:

General Obligation Refunding Bonds, Series R-1
(in thousands)

Description of Bonds	Amount Refunded	Interest Rate	Call Price	Call Date
Series 1997A - Golden Gate Park Improvements, 1992	$15,525	4.800% - 5.25%	101.000%	11/30/2006
Series 1997B - School District Facilities Improvements, 1994	13,625	4.800% - 5.25%	101.000%	11/30/2006
Series 1999D - Asian Art Museum Relocation Project, 1994	9,585	5.000% - 5.50%	102.000%	6/15/2007
Series 2000A - Educational Facilities, Community College District, 1997	21,315	5.125% - 5.75%	102.000%	6/15/2008
Series 2000B - Zoo Facilities, 1997	12,555	5.125% - 5.75%	102.000%	6/15/2008
Series 2000C - Neighborhood Recreation & Park Facilities Improvement, 2000	4,455	5.125% - 5.75%	102.000%	6/15/2008
Series 2000D - Affordable Housing, 1996	11,580	4.750% - 5.50%	102.000%	6/15/2008
	$88,640			

The net proceeds of $ 93.1 million (including original issue premium of $3.1 million, and after payment of $0.7 million in underwriting fees and other issuance costs) were used to purchase certain direct obligations of the United States of America (the "escrow securities"). The escrow securities were deposited into an escrow account held by the escrow agent. As the refunded bonds become due for interest payment and /or redemption, the escrow agents will transfer to the Treasurer of the City monies held in the escrow account to pay the principal, redemption premium, and interest due on the refunded bonds. The last of the refunded bonds will mature on June 15, 2008.

Although the refunding resulted in the recognition of deferred accounting loss of $4.5 million for the year ended June 30, 2007, the City in effect reduced its aggregate debt service payments by $7 million and obtained a net present value benefit of $5.4 million.

In December 2006, the City issued the General Obligation Refunding Bonds, Series 2006-R2 (Series 2006-R2) in the amount of $66.6 million with interest rates ranging from 3.5% to 4.15% (maturing from June 2007 through June 2019) to refund the outstanding General Obligation Bonds with maturities from June 2009 through June 2019, as follows:

General Obligation Refunding Bonds, Series R-2
(in thousands)

Description of Bonds	Amount Refunded	Interest Rate	Call Price	Call Date
Series 1999A - Educational Facilities, Community College District, 1997	$13,490	5.125% - 5.50%	102.000%	6/15/2007
Series 1999B - Educational Facilities, San Francisco Unified School District, 1997	40,045	5.125% - 5.50%	102.000%	6/15/2007
Series 1999C - Zoo Facilities, 1997	11,150	5.125% - 5.50%	102.000%	6/15/2007
	$64,685			

The net proceeds of $66.5 million (including original issue premium of $0.4 million, and after payment of $0.5 million in underwriting fees and other issuance costs) were used to purchase certain direct obligations of the United States of America (the "escrow securities"). The escrow securities were deposited into an escrow account held by the escrow agent. The escrow agent withdrew the funds from the escrow funds and transferred to the Treasurer of the City for payment of principal, interest and redemption premium on the refunded bonds on June 15, 2007.

The refunding resulted in the recognition of deferred accounting loss of $1.8 million for the year ended June 30, 2007. However, the City in effect reduced its aggregate debt service payments by $9.4 million and obtained a net present value benefit of $4.7 million.

Certificates of Participation

In May 2007, the City issued $153.7 million Certificates of Participation, City Office Buildings - Multiple Properties Project, composed of Series 2007A for $152.1 million and Taxable Series 2007B for $1.6 million. The Series 2007A and Series 2007B Certificates were issued to provide funds to finance the acquisition of existing office buildings located at One South Van Ness Avenue, San Francisco, California (the "One South Van Ness Property") and 1650 Mission Street, San Francisco, California, (the "Mission Street Property"), to improve portions of the One South Van Ness Property, the Mission Street Property and the existing City-owned property office building located at 30 Van Ness Avenue, San Francisco, California (the "30 Van Ness Property").

The Series 2007A were issued with interest rates ranging from 3.25% to 5.00% and mature from September 2009 through September 2040. The Series 2007B were issued with interest rate of 5.25% and matures in September 2008.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2007 were as follows:

	Governmental Activities - Lease Revenue Bonds (in thousands)
Authorized and unissued as of June 30, 2006	$ 126,699
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	2,078
Current year maturities in Finance Corporation's equipment program	10,450
Bonds issued:	
Series 2007A, San Francisco Finance Corporation	(11,830)
Net authorized and unissued as of June 30, 2007	$ 127,397

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amounts that are not applied towards the acquisition or construction of real and personal property such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits until such time as they are used for their intended purposes.

(a) Equipment Lease Program

In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20 million of equipment through a non-profit corporation using tax-exempt obligations.

Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2007, the total authorized amount is $43.7 million. The total accumulated annual authorization since 1990 is $23.7 million, of which $2.1 million is new annual authorization for the fiscal year ended June 30, 2007.

The equipment lease program functions as a revolving bond authorization fund. That is, for each dollar in bond principal that is repaid, a new dollar can be issued. The Finance Corporation has issued $135.4 million in equipment lease revenue bonds since 1991. As of June 30, 2007, $105 million has been repaid, leaving $30.4 million in equipment lease revenue bonds outstanding and $13.2 million available for new issuance.

In June 2007, the Finance Corporation issued its fifteenth Series of equipment lease revenue bonds, Series 2007A in the amount of $11.8 million with interest rates ranging form 3.5% to 4%. The bonds mature from April 2008 to April 2013.

(b) City-wide Communication System

In 1993, the voters approved the issuance of up to $50 million in lease revenue bonds to finance the acquisition and construction of a citywide emergency radio communication system (800 MHz). The Finance Corporation issued two series in January 1998 and February 1999 for $31.3 million and $18.7 million, respectively. As of June 30, 2007, the amount authorized and unissued was $0.1 million. Further, in 1994, the voters approved the issuance of up to $60 million in lease revenue bonds to finance the acquisition and construction of a combined emergency communication center to house the City's 911-emergency communication system. The Finance Corporation issued two series in June 1997 and in July 1998 for $22.6 million and $23.3 million, respectively. As of June 30, 2007, the amount authorized and unissued was $14.1 million.

(c) Moscone Center West Expansion Project

In 1996, the voters approved the issuance of up to $157.5 million in lease revenue bonds for the purpose of financing a portion of the costs of acquiring, constructing, and improving a free-standing expansion to the City's Moscone Convention Center. On November 2, 2000, Series 2000-1, 2000-2 and 2000-3 totaling $157.5 million were issued. Each series of bonds may bear interest at a different rate and in a different interest rate mode from other series of bonds. Currently, the bonds bear interest at a weekly rate.

(d) Open Space Fund

In 2000, the voters of the City adopted Proposition C amending the Charter by repealing the then existing Park and Office Space Fund, authorizing the creation of a new Park, Recreation and Open Space Fund to purchase open space, acquire property for recreation facilities and develop, and maintain these facilities and authorizing the issuance of revenue bonds for such purpose. A set aside of 2.5% of the City's general 1% property tax is required by the Charter to be deposited in the Open Space Fund.

In November 2006, the Corporation issued Lease Revenue Bonds Series 2006 (Open Space Fund-Various Park Projects) in the amount of $27 million (the "Series 2006 Bonds"). The Series 2006 Bonds will finance the design, construction, renovation and the installation of various park improvements located within the City. Interest rates range from 3.75% to 5.5%. The bonds begin to mature in July 2007 through July 2027.

Fillmore Renaissance Center Project Loan

In July 2005, the City entered into an agreement with the Department of Housing and Urban Development (HUD) for an approved Section 108 Loan in the maximum amount of $5.5 million. The funds were committed to the Fillmore Renaissance Center Project, a mixed-use commercial housing development located in San Francisco Redevelopment Agency's Jazz Preservation District. During the fiscal year 2005-2006, HUD advanced to the City loan funds totaling $5.4 million. In September 2006, the $5.4 million loan was converted to a fixed rate financing and the amount of the loan was increased to $5.5 million. The new loan carries interest rates ranging from 4.96% to 5.74% and matures from August 2007 through August 2025.

311 Call Center Capital Lease

In September 2006, the City entered into an agreement with Wells Fargo Brokerage Services for a Lease Purchase transaction for the telecommunication and computer equipment needed to establish the 311 Call Center for the General Services Agency. The 311 Call Center includes a Customer Relationship Management (CRM) application that will connect all City departments and agencies. It is located at the second floor of One South Van Ness building, San Francisco, California. The lease purchase for the amount of $2.8 million is fully amortized at an interest rate of 4.325% with interest and principal payments starting July 2007. It is payable semi-annually every July and January until fully paid in January 2010.

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

In November 2006, the San Francisco International Airport (SFO or Airport) issued its Second Series Revenue Refunding Bonds Issue 32F/G/H (Issue 32F/G/H Bonds) in the amount of $453 million with interest rates ranging from 4.00% to 5.25%. A portion of the proceeds from the issue 32F/G/H Bonds was deposited into an irrevocable trust with an escrow agent to refund certain of the Airport's Second Series Revenue Bonds as follows (in thousands):

	Amount Refunded	Interest Rate	Redemption Price
Second Series Revenue Bond Issuance:			
Issue 10A	$ 20,975	5.300% - 5.450%	102%
Issue 12A	8,415	5.625%	101%
Issue 13B	2,435	5.400% - 5.500%	101%
Issue 14	3,185	5.400% - 5.500%	101%
Issue 15B	90,820	4.700% - 5.000%	102%
Issue 16B	40,475	5.000% - 5.500%	101%
Issue 17	17,275	5.000% - 5.500%	101%
Issue 18B	84,455	4.750% - 5.250%	101%
Issue 19	20,195	4.750% - 5.250%	101%
Issue 23B	63,680	4.500% - 5.125%	101%
Issue 24B	21,990	5.250% - 5.625%	101%
Issue 26B	21,785	4.875% - 5.000%	101%
Issue 28B	73,605	3.250% - 5.250%	100%
	$ 469,290		

The refunded Second Series Revenue Bonds have final maturity dates ranging from May 1, 2007 to May 1, 2032 and call dates of December 18, 2006 to May 1, 2012.

The Issue 32/F/G/H Bonds were issued as fixed rate bonds. The net proceeds of $483.9 million (after payments of $7.6 million in underwriting fees, insurance and surety bond premiums, and costs of issuance) plus bond premium of $35.9 million and an additional $2.6 million of available funds (consisting of debt service and principal funds) were used to purchase U.S. Treasury Securities - State and Local Government Series. These securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on refunded bonds identified above until their respective redemption dates.

The refunded bonds were considered legally defeased and are no longer considered outstanding under the 1991 Master Bond Resolution and the debt is considered legally satisfied based on certain provisions in the debt instrument, even though most of the refunded bonds have not yet been redeemed. Accordingly, the liability for the refunded bonds has been removed from the accompanying statement of net assets.

Although the refunding resulted in the recognition of a deferred accounting loss of $20.8 million for the year ended June 30, 2007, the Airport in effect reduced its aggregate debt service payments by approximately $22.1 million over the next 26 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of $19.6 million.

The Airport entered into seven forward-starting interest rate swaps in December 2004, four in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 32 Series A through E (Issue 32 Bonds) on February 10, 2005, and three in connection with a portion of its Variable Rate Refunding Bonds, Issue 33 (Issue 33 Bonds), on February 15, 2006. Pursuant to these interest rate swaps, the Airport receives a monthly variable rate payment from each counter-party equal to 63.5% of the USD-LIBOR-BBA, plus 0.29%, times the notional amount of the swap, which is intended to approximate the variable interest rates the Airport pays on the Issue 32 Bonds and the interest rate swap hedged portion of the Issue 33 Bonds. The Airport makes a monthly fixed rate payment to the counterparties as set forth below. The objective of the swaps is to achieve a synthetic fixed rate with respect to the Issue 32 Bonds and the hedged portion of the Issue 33 Bonds.

For the fiscal year ended June 30, 2007, the Airport paid a total of $13.8 million in fixed rate payments to the counterparties and received $15.1 million in floating rate payments in return, resulting in total net swap receipts of $1.3 million from the counterparties. During the same period, the Airport made variable interest rate payments on the related bonds of $14.5 million, resulting in the Airport receiving $0.6 million more from the counterparties than it paid in interest on the related variable rate bonds. The effective synthetic fixed rate on the related bonds was 3.215%.

The four interest rate swaps relating to the Issue 32 Bonds went into effect on February 10, 2005, the date of the issuance of the Issue 32 Bonds, and the first payments commenced on March 1, 2005. The three interest rate swaps relating to the Issue 33 Bonds went into effect on February 15, 2006, the date of issuance of the Issue 33 Bonds, and the first payments commenced on March 1, 2006. All of the interest rate swaps are terminable at any time at the option of the Airport at their market value.

The interest rate swaps relating to the Issue 32 Bonds terminate by their terms on May 1, 2026, the final maturity date for the Issue 32 Bonds. The following is additional information regarding each swap and the counterparty as of June 30, 2007 (in thousands):

Counterparty/guarantor	Initial notional amount	Counterparty credit ratings (S&P/Moody's)	Fixed rate payable by Airport	Fair value to Airport
J.P. Morgan Chase Bank, N.A.	$ 70,000	AA/Aaa	3.444%	$ 3,139
Bear Sterns Capital Markets, Inc.	30,000	A+/A1	3.444%	1,345
J.P. Morgan Chase Bank, N.A.	69,930	AA/Aaa	3.445%	3,130
Bear Sterns Capital Markets, Inc.	29,970	A+/A1	3.445%	1,342
(Aggregate notional amount)	$ 199,900			$ 8,956

The interest rate swaps relating to the Issue 33 Bonds terminate by their terms on May 1, 2019, but the final maturity date for the Issue 33 Bonds is May 1, 2026. The following is additional information regarding each swap and counterparty as of June 30, 2007 (in thousands):

Counterparty/guarantor	Initial notional amount	Counterparty credit ratings (S&P/Moody's)	Fixed rate payable by Airport	Fair value to Airport
Lehman Brothers Special Financial Inc.	$ 73,570	A+/A1	3.393%	$ 2,227
Bear Sterns Capital Markets, Inc.	31,530	A+/A1	3.393%	954
Lehman Brothers Special Financial Inc.	100,000	A+/A1	3.379%	3,146
(Aggregate notional amount)	$ 205,100			$ 6,327

Risks Disclosure

The aggregate market value to the Airport from time to time, if any, of the interest rate swaps with any single counterparty is the maximum amount of credit exposure the Airport will have to that counterparty. The Airport has limited counterparty credit risk by limiting its exposure to any one counterparty. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities for the market value of the swap that exceeds specified thresholds which are linked to the counterparty's credit ratings. Any such collateral will be held by the Airport's custodial bank. There is limited basis risk with respect to the interest rate swaps, as the Airport has chosen a variable rate index designed to closely approximate the variable rates payable on the Issue 32 and 33 Bonds. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty. The Airport has secured municipal swap insurance for its payments, including termination payments, due under each interest rate swap from insurers currently rated AAA/Aaa by Moody's and S&P.

Additional termination events under the swap documents with respect to the Airport include an insurer payment default, under the applicable swap insurance policy, and certain insurer ratings downgrades or specified insurer non-payment defaults combined with a termination event or event of default on the part of the Airport or a ratings downgrade of the Airport below investment grade.

Additional termination events under the swap documents with respect to a counterparty include a ratings downgrade below investment grade followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

San Francisco Water Enterprise

During fiscal year 2006-2007, the San Francisco Water Enterprise issued 2006 Water Revenue Refunding Bonds, Series C (the 2006 Refunding Series C Bonds) in the amount of $48.7 million for the purpose of refunding a portion of the outstanding 1996 Series A Bonds maturing on and after November 2007 (the Refunded 1996 Series A Bonds). A portion of the proceeds on the 2006 Refunding Series C Bonds was deposited with the Trustee, acting as escrow agent under the irrevocable Refunding Instructions, dated August 1, 2006 to refund and legally defeased, on a current basis, the Refunded 1996 Series A Bonds currently outstanding in the principal amount of $48 million. This deposit, together with certain other available moneys was held by the escrow agent under the Refunding Instruction and invested in non-callable Federal Securities consisting of United States Treasury Securities-State and Local Government Series (SLGS). The principal and interest on the deposit with the escrow agent was sufficient to pay the principal redemption price, premium, and interest on the Refunded 1996 Series A Bonds on November 2006 by optional redemption on that date.

The 1996 Series A Bonds maturing on November 2006 in the principal amount of $4.4 million remained outstanding following the issuance of the 2006 Refunding Series C Bonds and was paid by the Water Enterprise at maturity in November 2006. Although the refunding resulted in the recognition of a deferred accounting loss of $2.86 million, the Water Enterprise in effect reduced its aggregate debt service payments by approximately $2.89 million (based on average interest rates of 4.415% and 5.012% for the new debt and old debt, respectively). The economic gain for this refunding based on the net present values was calculated to be $1.6 million.

Hetch Hetchy Water and Power Enterprise

In November 2002, the Hetch Hetchy Water and Power Enterprise (the Hetch Hetchy Enterprise) received a $1 million loan from the California Energy Commission with an annual interest rate of 3%, and semi-annual repayments of $0.74 million beginning in December 2003, with a final maturity date in December 2010. Proceeds from the loan were used to provide funding for an energy conservation project undertaking at San Francisco General Hospital. Under the loan terms, the Enterprise is required to prepare and submit annual energy use reports to the California Energy Commission for three years following the completion of the project. The reports are to demonstrate the cost of energy saved as a result of the project. In August 2003, the California Energy Commission loan was renegotiated and the Enterprise received a $0.2 million grant, which was utilized to pay down the original loan. The loan reduction also reduced the semi-annual payments to $0.59 million from the original $0.74 million.

San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise has entered into several contracts (State Revolving Fund Loans) with the State Water Resources Control Board (SWRCB) under which the Wastewater Enterprise borrowed up to prescribed maximum amounts to finance the construction of certain facilities. The amount of loans outstanding as of June 30, 2007 is $102.4 million, with interest rates ranging from 2.8% to 3.5%, and matures from July 2010 through January 2021.

Component Unit Debt – San Francisco Redevelopment Agency

The current year debt activities of the San Francisco Redevelopment Agency are discussed in note 12.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

The City maintains a single-employer, defined benefit pension plan (the Plan) which covers substantially all of its employees, and certain classified and certified employees of the San Francisco Community College District and Unified School District, and San Francisco Trial Court employees other than judges. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees Retirement System (PERS), an agent multiple-employer, public employee pension plan which covers certain employees in public safety functions, the Port, SFO and the Redevelopment Agency.

Employees' Retirement System

Plan Description - Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code is the authority which establishes and amends the benefit provisions and employer obligations of the Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2007 was approximately $2.05 billion. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Membership

Membership of the Retirement System at July 1, 2006 the date of the latest actuarial valuation is:

	Police	Fire	Others	Total
Retirees and beneficiaries currently receiving benefits	2,091	1,912	16,486	20,489
Active members:				
Vested	1,814	1,349	19,721	22,884
Nonvested	305	253	5,984	6,542
Subtotal	2,119	1,602	25,705	29,426
Total	4,210	3,514	42,191	49,915

As of July 1, 2006 there were 2,901 terminated members entitled to, but not yet receiving benefits.

Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy - Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory. Employee contribution rates for fiscal year 2006-2007 varied from 7% to 8% as a percentage of gross salary. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2006 actuarial report, the required employer contribution for fiscal year 2006-2007 was 6.24 percent. In collective bargaining during the year ended June 30, 1994, the City and County agreed to pay a portion of the employee contributions on behalf of employees. From 1994 through June 2003, the City and County portion of these contributions has been negotiated through the various unions on a member group basis, and did not exceed 8% of base salary.

For fiscal year ended June 30, 2007, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis.

Employer contributions and member contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Annual Pension Cost - The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2006. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 8%; (2) inflation element in wage increases of 3.5%; and (3) salary merit increases of 4.5%. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and loss assumptions and purchasable services are amortized as a level percentage of pay over a closed 15 year period. Plan amendments are amortized over 20 years.

Three-year trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	$ 83,664	100%	$ -
6/30/2006	126,533	100%	-
6/30/2007	132,601	100%	-

California Public Employees' Retirement System

Various City public safety, Port, and all Redevelopment Agency employees are eligible to participate in PERS. Disclosures for the Redevelopment Agency are included in the separately issued financial statements.

Plan Description - The City contributes to PERS, an agent multiple-employer public employee defined benefit pension plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. Effective with the PERS June 30, 2003 actuarial valuation, PERS mandated that the City's miscellaneous members plan be included in a cost-sharing multiple-employer plan consisting of various government entities with plan memberships of less than 199 active members. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. A separate report for the City's plan within PERS is not available.

Miscellaneous Plan

Funding Policy - Miscellaneous plan - Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2006-2007 contribution rate is 0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Miscellaneous plan - cost for PERS for fiscal year 2006-2007 was equal to the City's required and actual contributions which was determined as part of the June 30, 2004 actuarial valuation using the entry age actuarial cost method.

Three-year payment trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	$ -	N/A	$ -
6/30/2006	-	N/A	-
6/30/2007	-	N/A	-

Safety Plan

Funding Policy – Safety plan - Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 18.824% because the City is funded at 96.5%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Safety Plan - cost for PERS for fiscal year 2006-2007 was equal to the City's required and actual contributions which was determined as part of the June 30, 2004 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2004 actuarial valuation were: (a) 7.75% investment rate of return (net of administrative expenses), (b) 3.25% to 13.15% projected annual salary increases that vary by age, service and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period. Actuarial gains and losses are first offset against one another and then 6% of the net unamortized gain/loss is recognized.

Three-year trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	$ 3,689	100%	$ -
6/30/2006	6,736	100%	-
6/30/2007	15,977	100%	-

(b) Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $444.1 million in fiscal year 2006-2007. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is $132.2 million to provide post-employment health care benefits for 21,558 retired employees. The City's liability for both current employee and post-employment health care benefits is limited to its annual contribution. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements and required supplementary information for the health care benefits. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 200, San Francisco, CA 94103 or by calling (800) 541-2266.

(10) San Francisco County Transportation Authority

The San Francisco County Transportation Authority (the Authority) was established in November 1989 by the voters of the City and County of San Francisco pursuant to State Code Section 131.000. The purpose of the Authority is to administer the voter-approved county-wide transactions and use tax of one-half of one percent to fund essential transportation projects, as set forth in the San Francisco County Transportation Expenditure Plan. The Authority's Expenditure Plan defines a program of prioritized projects to ensure that funding is allocated across major transportation categories. The City accounts for these activities in the other governmental funds.

In November 1990, the Authority was designated under state laws as the Congestion Management Agency for San Francisco, and in that capacity prioritizes State and Federal transportation funds for San Francisco while working with the Metropolitan Transportation Commission. Responsibilities also include preparing a county-wide transportation plan to guide the City's future transportation investments, monitoring traffic congestion levels, measuring transportation performance, and developing a travel demand forecasting model.

In June 2002, the Authority was designated by the Board of Supervisors as the overall program manager for the Local Guarantee share of transportation funds available through the Transportation Fund for Clean Air Program (TFCA), which is administered by the Bay Area Air Quality Management District. The source of funds is a $4.00 surcharge on the vehicle registration fee.

In November 2003, the City voters approved Proposition K by a 74.79% affirmative vote, amending the City Business and Tax Code to continue the existing county-wide one-half of one percent sales tax, and replace the 1989 Proposition B Expenditure Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: Transit, Streets and Traffic Safety (including street resurfacing and bicycle and pedestrian improvements); Paratransit services for seniors and persons with disabilities; and Transportation System Management/Strategic Initiatives to fund neighborhood parking management, land use coordination, and beautification efforts. The major capital projects to be funded by the new Expenditure Plan are development of the Bus Rapid Transit/MUNI Metro Network, construction of the MUNI Central Subway (Third Street Light Rail Project – Phase 2), construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal and replacement of the South Access to the Golden Gate Bridge (Doyle Drive Replacement Project). The Authority may modify the Expenditure Plan with voter approval, and the county-wide one-half of one percent sales tax would continue as long as a new or modified plan is in effect. Under the current Proposition K legislation, the Authority directs the use of the sales tax and may spend up to $485.2 million per year and issue up to $1.88 billion in bonds, to be repaid from the one-half of one percent sales tax.

The Authority and California Department of Transportation (Caltrans) are working in partnership to implement the Doyle Drive Replacement Project. In April 1988, the Authority and Caltrans signed a Memorandum of Understanding designating the Authority as the lead agency for the environmental study. The Doyle Drive Draft Environmental Impact Statement/Report (DEIS/R) was completed and circulated for public comment in December 2005. On September 1, 2006, Caltrans gave the Authority an authorization to proceed with preliminary engineering for the Doyle Drive Replacement Project. On September 26, 2006, through Resolution 07-17, the Authority selected Alternative 5 (Presidio Parkway) with specified design options, as the Preferred Alternative to be identified in the Final Environmental Impact Statement/Report for the Doyle Drive Replacement Project. A Final Environmental Impact Statement/Report is expected in early 2008. A federal Record of Decision and State Notice of Determination are expected by Spring 2008.

(11) Detailed Information for Enterprise Funds

(a) San Francisco International Airport

San Francisco International Airport (SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five member Commission is responsible for the operation and management of SFO. SFO is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to final data for calendar year 2006 from the Airports Council International (the ACI), SFO is one of the largest airports in the United States both in terms of passengers (14th) and air cargo (13th). SFO is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

The San Francisco Bay Area Rapid Transit District (BART) extension to SFO creates a convenient connection between SFO and the greater San Francisco Bay Area. An intermodal station in the City of Millbrae provides a direct link to Caltrain, offering additional transit options and connections to the southern parts of the Bay Area. Access from the BART station throughout SFO is enhanced by the AirTrain system, a shuttle train that connects airport terminals. The AirTrain system provides transit service over a "terminal loop" to serve the terminal complex and over a "north corridor loop" to serve the rental car facility and other locations situated north of the terminal complex.

SFO has developed a revised five-year Capital Plan that better fits the ongoing changes in the aviation industry. The revised Capital Plan was approved in May 2006 and included projects related to improvements to the airfield, groundside activities, utility infrastructure upgrades, terminal upgrades, health, safety and security enhancements, and cost savings and revenue generating enhancements.

In May 1997, SFO authorized the issuance, from time to time, of its Subordinate Commercial Paper Notes in an aggregate principal amount not to exceed the lesser of $400 million or the stated amount of the letter of credit. The subordinate Lien Resolution authorizes a maximum principal amount of notes of $400 million. In May 2006, SFO obtained a direct-pay letter of credit with a maximum stated principal amount of $200 million. There were no commercial borrowings during the year ended June 30, 2007.

In addition to the long-term obligations discussed above, there is $109 million in Special Facilities Lease Revenue Bonds outstanding at June 30, 2007 for SFO Fuel Company LLC (SFO Fuel). SFO Fuel is required to pay facilities rent to SFO in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to SFO. SFO assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither SFO nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements.

In July 2001, the Federal Aviation Administration (FAA) approved SFO's first Passenger Facility Charge application (PFC#1) to impose and use a $4.50 Passenger Facility Charge (PFC) per enplaning passenger from October 1, 2001 through June 1, 2003, to pay for approximately $113 million in PFC eligible project development activities and studies associated with the potential runway reconfiguration. In March 2002, the FAA approved SFO's PFC Application Number 2 (PFC#2) to impose and use a $4.50 PFC per enplaning passenger from June 1, 2003 through April 1, 2008, to pay for approximately $224 million in the principal and interest on bonds issued for certain eligible costs relating to the new International Terminal Complex. In January 2004, the FAA approved SFO's amendment to delete PFC#1 as a result of the suspension of the runway reconfiguration project; receipts from PFC#1 were applied to PFC#2. In October 2005, the FAA approved an amendment to PFC #2 charge expiration date to October 6, 2005 due to full collection of the authorized amount. In September 2006, the FAA notified the Airport that the charge expiration date of PFC #2 will be recorded as of November 1, 2005.

In November 2003, the FAA approved SFO's third PFC application (PFC#3) to impose and use a $4.50 PFC per enplaning passenger for approximately $539 million to pay for debt service costs related to the

construction of the new international terminal and boarding areas A and G. The collection period for PFC #3, as originally approved, was from November 1, 2008 to November 1, 2018. In January 2004, the collection period was revised to commence January 1, 2006 with a charge expiration date of January 1, 2016. In October 2005, the collection period for PFC #3 was revised to commence October 6, 2005. Subsequently in July 2006, the FAA approved an amendment to PFC #3 increasing the authorized amount by $70 million. In September 2006, the FAA notified the Airport that the revised date for the start of collections for PFC #3 is recorded as of November 1, 2005 with a revised estimated charge expiration date of January 1, 2017.

For the year ended June 30, 2007, SFO reported approximately $64.3 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements. SFO designated $58.4 million of PFC revenues as "Revenues" under the 1991 Master Bond Resolution for the purpose of paying debt service in fiscal year 2006-2007.

Due to SFO's noise mitigation efforts, significant progress has been made in reducing the impact of aircraft noise on the communities surrounding the Airport through the implementation of (1) noise abatement flight procedures, (2) an aircraft noise insulation program, (3) community outreach through the Airport Community Roundtable, and (4) requests that certain surrounding communities adopt ordinances to protect new purchasers of homes within their community.

Pursuant to an agreement with certain airlines, SFO makes an annual payment to the City's General Fund equal to 15% of concession revenue, but not less than $5 million per fiscal year. The amount transferred to the General Fund during the year ended June 30, 2007 was $23.3 million.

Purchase commitments for construction, material and services as of June 30, 2007 are as follows (in thousands):

Construction	$ 8,251
Operating	37,093
Total	$ 45,344

SFO has a Memorandum of Understanding with various surrounding communities to insulate residential and nonresidential structures such as schools, churches and hospitals. The total estimated funding for this program is approximately $154 million funded by bond proceeds, by federal grant reimbursements to the local communities, and by operating and other internally generated funds. As of June 30, 2007, approximately $124.3 million has been disbursed under this program.

SFO leases facilities to the airlines pursuant to the Lease and Use Agreements and to other businesses to operate concessions at SFO. During the year ended June 30, 2007, revenues realized from the following SFO tenants exceeded five percent of SFO's total operating revenues:

United Airlines	21.1%
AMPCO Parking Systems	9.0%

(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was owned and operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port is presently planning various development projects that involve a commitment to expend significant funds. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. As of June 30, 2007, $16.7 million has been appropriated and $1.6 million has been expended for projects under the agreement. The $16.7 million appropriated includes $9.3 million received in 2004 from the sale of a portion of Seawall Lot 330 to a developer. Residual receipts totaling $17.4 million were received through June 30, 2007 and recorded as a special item.

As of June 30, 2007, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $5.6 million for capital projects and $1.8 million for general operations.

Under a 1996 agreement with the City for parking fine revenues collected from Port property, the Port received $1.6 million from the Municipal Transportation Agency (MTA) in 2007. During 2007, the Port and MTA negotiated an amendment to the original agreement for guaranteed estimated payments. Among other things, the amendment effective July 1, 2007 provides for the transfer to the Port of actual parking fines collected on Port property and the reimbursement by the Port of all MTA's costs associated with collecting and processing parking fines issued on Port property.

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. The Water Enterprise delivers water, approximately 91,757 million gallons annually, to a total population of approximately 2.4 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (the Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Enterprise, and the San Francisco Wastewater Enterprise (Wastewater Enterprise). The Commission consists of five members appointed by the Mayor who are responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

The Water Enterprise purchases water from Hetch Hetchy Enterprise. This amount, totaling approximately $19 million, is included in the charges for services provided by other departments in the accompanying financial statements.

During fiscal year 2006-2007, water sales to suburban resale customers were $108 million. As of June 30, 2007, the suburban resale customers owed the Water Enterprise approximately $11.8 million under the Water Rate Agreement.

As of June 30, 2007, the Water Enterprise had outstanding commitments with third parties of $140.5 million for various capital projects and for materials and supplies.

In July 1999, the California Regional Water Quality Control Board (CRWQCB) issued a directive instructing the Water Enterprise to develop a remedial action plan (Plan) that addresses environmental contamination at certain real property owned by the Water Enterprise. In response to the directive, the Commission developed a remedial action plan and in August 2001 received the final directive from the

CRWQCB to execute the plan. The cost of cleanup associated with the Plan was estimated to be $22.7 million and was accrued in fiscal year 2000-2001. At June 30, 2007, the outstanding estimated liability is $6.6 million.

(d) Hetch Hetchy Water and Power Enterprise

Hetch Hetchy Water and Power Enterprise (Hetch Hetchy Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park to the City. Hetch Hetchy Enterprise is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity from that resource. Approximately one-third of the electricity is used by the City's municipal customers (e.g., the San Francisco Municipal Railway, the Recreation and Parks Department, San Francisco International Airport, the Port of San Francisco, San Francisco County hospitals, street lighting, Moscone Center, and the water and sewer utilities). The balance of the power generated is sold to other publicly owned utilities, such as the Modesto and Turlock Irrigation Districts (the Districts).

Hetch Hetchy Enterprise consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines. This system carries water and power more than 165 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.

Hetch Hetchy Enterprise also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by state and federal power matters before the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy Enterprise serves as the City's representative at both CPUC and FERC forums and continues to monitor regulatory proceedings.

Charges for services for the year ended June 30, 2007 include $59.2 million in sales of power by Hetch Hetchy Enterprise to other City Departments. Income from Hetch Hetchy Enterprise is available for certain operations of the City.

As of June 30, 2007, Hetch Hetchy Enterprise had outstanding commitments with third parties of $21.8 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Enterprise facilitates all electric and gas service connections between Pacific Gas and Electric Company (PG&E) and City Departments. In this capacity, Hetch Hetchy Enterprise, as a pass-through agent on behalf of the City departments, coordinates the payment for the service connections that are performed by PG&E. As of June 30, 2007, there were no outstanding amounts from City departments related to this work.

Hetch Hetchy Enterprise receives title to the underlying assets of certain completed projects on behalf of the City and assumes responsibility for their maintenance, repair and replacement following their initial year of operation.

The Commission has contracted with PG&E to provide transmission capacity on PG&E's system where needed to deliver Hetch Hetchy Enterprise's power to its customers. In addition, the PG&E agreement provides backup power and other support services to Hetch Hetchy Enterprise. The PG&E agreement allows PG&E to review past billings paid by Hetch Hetchy Enterprise and to retroactively adjust these payments to actual backup power, transmission, and other charges as finally determined by PG&E. During fiscal year 2006-2007, Hetch Hetchy Enterprise purchased $17 million of transmission services, backup power, and other support services from PG&E under the terms of the agreement.

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Districts in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments of $3.9 million from the City. The payments are to be

made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

In April 1988, Hetch Hetchy Enterprise entered into a long-term power sales agreement (the Agreement) with the Districts. The Agreement expires in 2015 and requires that Hetch Hetchy Enterprise provide, as generated, an amount equivalent to the difference between 260 megawatts and the amount required to meet the City's demand. In June 2003, Hetch Hetchy Enterprise amended the terms of the Agreement with the Modesto Irrigation District (MID). Under the terms of the amended and restated long-term power sales agreement, which became effective on January 1, 2003, the expiration date was shortened to December 31, 2007, the existing pricing structure was modified, and Hetch Hetchy Enterprise's firm obligation to provide power to the MID was relaxed. For fiscal year 2006-2007, power sales to the Districts totaled 548,459 MWhrs or $13.9 million.

In December 2002, the City entered into an agreement (the Power Purchase Agreement) with the California Department of Water Resources in anticipation of the settlement and implementation agreements. Under the terms of the Power Purchase Agreement, the California Department of Water Resources has agreed to purchase power and rated capacity.

The City has reached preliminary agreement on terms and conditions, and is in the process of negotiating the final agreement, which is called the Assignment, Construction, Operation, and Reconveyance Agreement.

On January 21, 2003, the City's Board of Supervisors authorized the settlement of a lawsuit filed in January 2001 by the City, on behalf of the people of the State of California (the State), against certain energy companies. Under the terms of the settlement, the City received or is to receive (i) four gas turbine generator sets valued at approximately $33 million for use within the City, (ii) future funding from a State administered fund (the Fund) to assist with the costs of sitting and developing electric generating equipment in the City, and (iii) payment to the City of $0.5 million for attorney's fees and other expenses of litigation.

Effective January 23, 2003, the City entered into an implementation agreement with the Attorney General of the State of California (the Attorney General), the California Consumer Power and Conservation Financing Authority (the Financing Authority), and the California Department of Water Resources, outlining the terms of execution of the settlement agreement.

In conjunction with the execution of the settlement agreement, the Attorney General has received the first $9.3 million from the defendants, and deposited that amount into the Fund. The City has eligible costs incurred in the development of the facility of about $10 million. As of June 30, 2007, the City has requested and received a total of $9.3 million for reimbursement from the Fund. Under the terms of the Agreement, the City only has claim to the proceeds held by the Fund to the extent that eligible costs are incurred in the development of the Facility. As such, the corresponding revenue will be recognized as eligible costs. Hetch Hetchy Enterprise has recognized $2.9 million of revenue from the Fund as of June 30, 2007.

(e) Municipal Transportation Agency

The Municipal Transportation Agency (MTA) is responsible for overseeing the City's public transportation operations, including those of the San Francisco Municipal Railway (MUNI), the San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the Department of Parking and Traffic (DPT), which includes the Parking Authority and its five parking garages operated by separate nonprofit corporations organized by the City. Created in November 1999, with the passage of Proposition E, by the voters, the MTA replaced the San Francisco Public Transportation Commission as the oversight agency for the operations of MUNI and SFMRIC, and effective July 1, 2002, the MTA also assumed responsibility for overseeing the operations of DPT.

The tables below reflect the financial information of MUNI, DPT, and the parking garages that are reported within the MTA (in thousands), net of eliminations for $8.9 million interagency accounts payables and receivables, and revenues and expenses of $18.5 million and transfers of $9.4 million.

	MUNI	DPT	Parking Garages	Eliminations	Total
Assets					
Current assets	$ 215,973	$ 43,293	$ 3,238	$ (8,912)	$ 253,592
Noncurrent assets	1,887,484	31,022	101,860	-	2,020,366
Total assets	2,103,457	74,315	105,098	(8,912)	2,273,958
Liabilities					
Current liabilities	117,783	21,536	27,109	(8,912)	157,516
Liabilities payable from restricted assets	1,456	-	-	-	1,456
Noncurrent liabilities	142,228	47,574	31,892	-	221,694
Total liabilities	261,467	69,110	59,001	(8,912)	380,666
Net assets					
Invested in capital assets, net of related debt	1,846,401	(7,581)	35,915	-	1,874,735
Restricted net assets	23,675	3,562	29,805	-	57,042
Unrestricted net assets (deficit)	(28,086)	9,224	(19,623)	-	(38,485)
Total net assets (deficit)	$ 1,841,990	$ 5,205	$ 46,097	$ -	$ 1,893,292

	MUNI	DPT	Parking Garages	Eliminations	Total
Operating revenues	$ 149,185	$ 30,497	$ 43,215	$ (782)	$ 222,115
Operating expenses	(615,841)	(84,122)	(41,785)	19,336	(722,412)
Net operating income (loss)	(466,656)	(53,625)	1,430	18,554	(500,297)
Nonoperating income (loss)	235,948	26,448	(822)	(18,554)	243,020
Capital contributions	100,954	-	-	-	100,954
Transfers in	214,419	51,222	-	(9,445)	256,196
Transfers out	(3,971)	(13,757)	-	9,445	(8,283)
Change in net assets	80,694	10,288	608	-	91,590
Net assets (deficit) at beginning of year	1,761,296	(5,083)	45,489	-	1,801,702
Net assets (deficit) at end of year	$ 1,841,990	$ 5,205	$ 46,097	$ -	$ 1,893,292

The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MUNI and DPT determined by the City's budgetary accounting procedures, subject to the appropriation process. The amount of General Fund subsidy to the MTA was $197.1 million ($149.8 million for MUNI and $47.3 million for DPT).

Municipal Railway

MUNI receives capital grants from various federal, state, and local agencies to finance transit related property and equipment purchases. As of June 30, 2007, MUNI had approved capital grants with unused balances amounting to $391 million. Capital grants receivable as of June 30, 2007 totaled $56.7 million.

MUNI also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds and sales tax allocations. As of June 30, 2007, MUNI had various operating grants receivable of $17.4 million.

These capital grants and operating assistance include funds from the San Francisco Transportation Authority (SFCTA). During the year ended June 30, 2007, the SFCTA approved $35 million in new capital grants and $14.1 million in new operating grants for MUNI. During the same period, MUNI received total payments of $41.7 million for capital grants and $19.5 million in operating grants from the Authority. As of June 30, 2007, MUNI had $23.5 million due from the SFCTA for capital grants and $2.4 million due from the SFCTA for operating grants reported in due from other funds.

The State Public Utilities Code requires that fare revenues must equal or exceed 33% of operating costs in order to qualify for an allocation of certain sales tax revenues available for public transit. Transit operators may add local support to fare revenues in order to calculate the fare recovery ratio. The City provides significant local support to MUNI from parking revenues and the General Fund.

MUNI has outstanding contract commitments of approximately $96 million with third parties for various capital projects. Grant funding is available for a majority of this amount. MUNI also has outstanding commitments of approximately $14 million for non-capital expenditures. Various local funding sources are used to finance these expenditures. MUNI is committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding. The San Francisco Municipal Railway Improvement Corporation's (SMFRIC) Board of Directors has authorized SMFRIC to extend financial guarantees to MUNI for certain projects totaling $2.5 million.

Given that the proposed Metro East light Rail Vehicle Maintenance and Operating Facility (Metro East) is an integral part of the Third Street Light Rail Project and is vital for relieving overcrowded conditions at MUNI's existing light rail facility, MUNI identified a 17-acre site of the Western Pacific Railroad under the jurisdiction of the Port of San Francisco (Port) as the best location for the Metro East Facility.

In March 2001, MUNI and the Port entered into a Memorandum of Understanding (MOU) under which MUNI may use the Metro East site in perpetuity for rail vehicle maintenance, operations and other operational needs at a cost of $25.7 million. The MOU also required MUNI to pay the Port an additional $4 million to construct the Illinois Street Bridge over Islais Creek. Construction of this bridge will mitigate traffic in the area and improve coordination with MUNI's Metro East and Third Street Light Rail Project. In the event the Port fails to expend the money toward construction of the bridge within three years after the effective date of the MOU, the Port shall return the $4 million to MUNI. Any such return of funds shall have no effect on the rights granted to MUNI as specified in the MOU. The entire $4 million fund has been expended since 2005. The construction of the Illinois Street Bridge which began in May 2005 was substantially completed on October 31, 2006. The remaining work was completed by December 31, 2006.

Leveraged Lease-Leaseback with BREDA Vehicles

Tranche 1

The Municipal Transportation Agency board of directors authorized the Director of Transportation to solicit proposals regarding a leveraged lease-leaseback transaction involving up to 150 BREDA light rail vehicles. The transaction would not involve financing or procurement of any new vehicles. Rather, MUNI's intention was to obtain an upfront economic benefit in return for entering into a lease-leaseback

transaction involving the Breda light rail vehicles, without impairing the day-to-day operations of the transit system.

In April 2002, MUNI entered into the leveraged lease-leaseback transaction over 118 Breda light rail vehicles (the Tranche 1 Equipment). The transaction was structured as a head lease of the Tranche 1 Equipment to separate special purpose trusts and a sublease of the Tranche 1 Equipment back from such trusts. The sublease provides MUNI with an option to purchase the Tranche 1 Equipment in approximately 27 years, the scheduled completion date of the sublease. During the term of the sublease, MUNI maintains custody of the Tranche 1 Equipment and is obligated to insure and maintain the Tranche 1 Equipment throughout the life of the sublease.

MUNI received an aggregate of $388.2 million from the equity investors in full prepayment of the head lease. MUNI deposited $352.7 million of this head lease payment into two escrows. One escrow was deposited with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance, an "Aaa/AAA" rated bond insurance company. The other escrow was invested in U.S. government bonds with maturity dates that match the completion of the sublease. Payments under these escrows are to be made at such times and in such amounts so as to fund MUNI's scheduled payments under the sublease as well as to provide a source of funding for MUNI's purchase option if it chooses to exercise it. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the creditworthiness of these escrows is such that they will fund MUNI's obligations under the sublease and that the possibility that MUNI will need to access other monies to make sublease payments is remote. Therefore, the trust assets and the sublease obligations are not recorded on the financial statements of MUNI as of June 30, 2007.

As a result of the cash transactions above, MUNI recorded deferred revenue in fiscal year 2001-2002 of $35.5 million for the difference between the amount received of $388.2 million and the amount paid to the escrows of $352.7 million. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were $1.3 million for fiscal year 2006-2007.

As of June 30, 2007, the outstanding payments to be made on the sublease through 2027 are $238.7 million and the payments to be made on the purchase option of the Tranche 1 Equipment would be $643.1 million, if exercised. All of these payments are to be funded from the amounts in escrow. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

Tranche 2

In September 2003, after obtaining final approval from the Municipal Transportation Agency's Board of Directors and the City's Board of Supervisors, MUNI entered into a second leveraged lease-leaseback transaction over 21 BREDA light rail vehicles (the Equipment). The transaction was structured as a head lease of the Equipment to one separate special purpose trust (formed on behalf of a certain equity investor) and a sublease of the Equipment back from such trust. The sublease provides MUNI with an option to purchase the Equipment in approximately 26 years, the scheduled completion date of the sublease. During the term of the sublease, MUNI maintains custody of the Equipment and is obligated to insure and maintain the Equipment throughout the life of the sublease.

MUNI received an aggregate of $72.6 million from the equity investors in full prepayment of the head lease. MUNI deposited approximately $67.5 million of this head lease payment into two escrows. One escrow was deposited with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance, an "Aaa/AAA" rated bond insurance company. The other escrow was invested in U.S. government bonds with maturity dates that match the completion of the sublease. Payments under these escrows are to be made at such times and in such amounts so as to fund MUNI's scheduled payments under the sublease as well as to provide a source of funding for MUNI's purchase

option if it chooses to exercise it. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the creditworthiness of these escrows is such that they will fund MUNI's obligations under the sublease and that the possibility that MUNI will need to access other monies to make sublease payments is remote.

As a result of the cash transactions above, MUNI recorded deferred revenue in fiscal year 2003-2004 of $4.4 million for the difference between the amount received of $72.6 million and the amount paid to the escrows of $67.5 million (minus $0.7 million for certain transaction expenses). The deferred revenue amortized in fiscal year 2006-2007 amounted to $168 thousand.

As of June 30, 2007, the outstanding payments to be made on the sublease through 2029 are $55.5 million and the payments to be made on the purchase option of the Equipment would be $198.5 million, if exercised. All of these payments are to be funded from the amounts in escrow. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

The data below reflect the operations of the five parking garages operated by separate nonprofit corporations organized by the City, which are under the Parking Authority. Information about these nonprofit corporations for the year ended April 30, 2007 follows (in thousands), including $8.9 million accounts payable to MUNI:

	Downtown Parking	Uptown Parking	Japan Center Garage	Ellis - O'Farrell Parking	Portsmouth Plaza Parking	Total
Operating revenues	$ 15,303	$ 16,629	$ 2,596	$ 5,294	$ 3,393	$ 43,215
Depreciation	804	1,078	224	354	141	2,601
Net operating income	1,004	883	(39)	(474)	56	1,430
Interest and other nonoperating revenues (expenses)	(77)	(723)	-	(59)	37	(822)
Change in net assets	927	160	(39)	(533)	93	608
Capital assets, additions	1,664	190	90	135	49	2,128
Capital assets, deletions	(530)	-	-	-	-	(530)
Net working capital (deficit)	(10,587)	(11,624)	193	(2,993)	1,140	(23,871)
Total assets	32,313	51,070	2,876	15,509	3,330	105,098
Total liabilities	20,859	29,995	462	7,301	384	59,001
Net assets	11,454	21,075	2,414	8,208	2,946	46,097
Total debt outstanding	$ 10,251	$ 18,434	$ 90	$ 4,601	$ -	$ 33,376

(f) Laguna Honda Hospital

General Fund Subsidy

The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the fiscal year ended June 30, 2007, the subsidy for LHH was approximately $46.9 million.

Net Patient Services Revenue

Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on closed account history.

Third Party Payor Agreements

LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the fiscal year ended June 30, 2007, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 50,284	$ 3,369	$ 132	$ 53,785
Less:				
Provision for Contractual Allowances	(23,736)	(1,066)	(92)	(24,894)
Recovery for Bad Debt	354	-	-	354
Total, net	$ 26,902	$ 2,303	$ 40	$ 29,245

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 208,344	$ 13,423	$ 482	$ 222,249
Less:				
Provision for Contractual Allowances	(77,619)	(3,486)	(245)	(81,350)
Provision for Bad Debt	(56)	-	-	(56)
Total, net	$ 130,669	$ 9,937	$ 237	$ 140,843

Deferred Credits and Other Liabilities

As of June 30, 2007, LHH recorded approximately $710,000 in deferred credits and other liabilities, which was comprised of $652,000 in third party settlements payable and $58,000 in deferred revenue.

Replacement Project

The California Hospital Facilities Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that LHH could maintain uninterrupted operations following major earthquakes. By January 1, 2008, all general acute care buildings must be life safe. By January 1, 2030, all general acute care inpatient buildings must be operational after an earthquake. In December 2001, LHH finalized and submitted a plan to the State of California indicating that the Laguna Honda Hospital Replacement Project will be fully operational by 2013 and thereby in full compliance with the 2030 requirements. A five-year extension for the January 2008 deadline was requested and granted, postponing the deadline to 2013.

In November 1999, San Francisco voters approved Proposition A, a ballot measure authorizing the City to issue general obligation bonds to finance the acquisition, improvement, construction and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital (the Replacement Project). Proposition A requires an increase in property taxes to pay for the bonds. In addition, Proposition A stipulates that $100 million of tobacco settlement funds received by the City, excluding $1 million set aside each year for smoking education and prevention programs, may be used to pay for some construction of the Replacement Project, as well as to offset the cost to property owners of repaying the bonds. As of June 30, 2007, General Obligation Bonds in the amount of $299 million have been sold to fund the Replacement Project. During the fiscal year ended June 30, 2007, LHH recognized $16.8 million in tobacco settlement revenues.

As of June 30, 2007, LHH has entered into various purchase contracts totaling approximately $6.1 million that are related to future construction for the Replacement Project.

Environmental Remediation

LHH received a report initiated by the California Integrated Waste Management Board declaring an old dumpsite on hospital property a "hazardous waste site" under California hazardous waste statute. The San Francisco Department of Public Health, as the local enforcement agency, has been designated to oversee and certify the future abatement of the dumpsite. LHH management has subsequently received a number of estimates to remedy this situation, ranging from approximately $0.8 million to $2.5 million. LHH and the San Francisco Department of Public Health are evaluating the bids submitted. The State has mentioned that this particular hazardous waste site is classified as a low priority considering the other more hazardous waste sites within the State. The specific site has been contained and secured for the safety of the general public.

(g) San Francisco General Hospital Medical Center

General Fund Subsidy

San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2007, the subsidy for SFGH was $130 million.

Net Patient Services Revenue

Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on closed account history.

Third Party Payor Agreements

SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-cal Hospital/Uninsured Care Demonstration Project and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the fiscal year ended June 30, 2007, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 111,653	$ 39,805	$ 65,408	$ 216,866
Less:				
Provision for Contractual Allowances	(100,161)	(32,619)	(26,997)	(159,777)
Provision for Bad Debt	-	-	(15,718)	(15,718)
Total, net	$ 11,492	$ 7,186	$ 22,693	$ 41,371

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 549,327	$ 238,782	$ 485,946	$ 1,274,055
Less:				
Contractual Allowances	(415,124)	(160,232)	(288,563)	(863,919)
Bad Debt Allowance	-	-	(45,925)	(45,925)
Total, net	$ 134,203	$ 78,550	$ 151,458	$ 364,211

California's Medi-cal Hospital/Uninsured Care Demonstration Project (Demonstration) is a new system for paying selected hospitals for hospital care provided to Medi-cal and uninsured patients and replaces funding previously provided through California State Senate Bills 855 and 1255. The Demonstration was negotiated between the State of California's Department of Health Services and the Federal Centers for Medicare and Medicaid Services last year, and covers the period from July 1, 2005 to June 30, 2010. Under the Demonstration, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursement for inpatient hospital services; 2) Disproportionate Share Hospital payments; and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool. The nonfederal share of these three payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to

draw down the federal financial participation. Revenues recognized under the Demonstration approximated $103 million for the fiscal year ended June 30, 2007.

In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2007, reimbursement under the Short-Doyle Program amounted to approximately $5.8 million and is included in other operating revenue.

Deferred Credits and Other Liabilities

As of June 30, 2007, SFGH recorded approximately $35.6 million in deferred credits and other liabilities, which was comprised of $19.5 million in deferred credits and $16.1 million in third party settlements payable.

Charity Care

SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $233 million and estimated costs and expenses to provide charity care were $106 million in fiscal year 2006-2007.

Other Non-Operating Revenues

The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. SFGH recognized $58.2 million as other non-operating revenue for the year ended June 30, 2007, for realignment funding.

State of California Proposition 99, the Tobacco Tax Initiative, allocates funds to counties for health care services to indigent persons and others who are unable to pay for health care services. Proposition 99 funds allocated to SFGH for the year ended June 30, 2007, amounted to $0.9 million and is included in other non-operating revenue.

Contract with the University of California San Francisco

The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2007, was approximately $91.8 million.

SFGH Rebuild

In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients in 2013 and beyond.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Portrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed this fiscal year.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977 pursuant to bond resolutions to account for the City's municipal sewage treatment and disposal system.

Wastewater Enterprise's revenue, which consists mainly of sewer service charges, is pledged for the payment of principal and interest on various outstanding Sewer Revenue Bonds.

As of June 30, 2007, Wastewater Enterprise had outstanding commitments with third parties for capital projects and for materials and services totaling $37.5 million.

(i) San Francisco Market Corporation

The San Francisco Market Corporation is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

(12) San Francisco Redevelopment Agency

The Redevelopment Agency of the City and County of San Francisco (the Agency) is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and twelve redevelopment areas are now underway. In addition, the Agency has completed a feasibility study on the Mid Market Survey Area and the redevelopment plan has been submitted to the Board of Supervisors for review. Feasibility studies are underway for the Visitation Valley and Bayview Hunters Point Survey Areas designated by the Board of Supervisors.

The Agency acts as the lead Agency for the City in administering the Housing Opportunities for Persons with AIDS (HOPWA) program, which is a program funded by a grant from the U.S. Department of Housing and Urban Development.

In 1998, the Board of Supervisors approved ordinances and resolutions adopting the Mission Bay North and South Redevelopment Plans, Interagency Cooperation Agreements, Tax Allocation Agreements, and related ordinances and resolutions. The two project areas total 303 acres. In June 2005, the Board of Supervisors approved ordinance to adopt the Transbay project area as a new redevelopment area which consists of 40 acres and is located south of the San Francisco financial district. The project area is bounded by Mission Street in the north, Main Street in the east, Folsom Street in the south and Second Street in the west. The future development of a new transit terminal and a concept plan which includes high-density, transit-oriented residential development are the highlights of this project.

In May 2006, the Board of Supervisors approved an amendment to the Hunters Point Redevelopment Project Area to include two distinct geographic areas: the existing Hunters Point Redevelopment Area and an additional 1361 acres. The new project name is now "Bayview Hunters Point Redevelopment Area". The Redevelopment Plan became effective September 2006.

The Agency has no direct taxing power and does not have the power to pledge the general credit or taxing power of the City, the State of California or any political subdivision thereof. However, California's Health and Safety Code allows redevelopment agencies with appropriate approvals of the local legislative bodies to recover costs of financing public improvements from increased tax revenues (tax increment) associated with increased property values of individual project areas. During the year, the Agency's revenue from property tax increment was $74.5 million.

The Public Initiatives Development Corporation (PIDC) was formed in May of 2002 to develop affordable housing on the Agency's behalf. On November 12, 2004, PIDC and Wincopin Circle, LLLP formed a limited partnership, Plaza Apartments Associates, L.P. (the partnership). PIDC is the managing general

partner and owns a 0.01% interest in the partnership. Wincopin Circle, LLLP is a limited partner and owns a 99.99% interest. Wincopin Circle, LLLP transferred its interest in the Partnership to the Housing Outreach Fund XL Limited Partnership, effective December 24, 2004. The Partnership completed construction of a 106-unit affordable housing project in the South of Market project area in January 2006. As of June 30, 2007, 100% of the units were leased. The Agency reports the investment in the Partnership under the equity method, based on the value of the assets and liabilities transferred to the Partnership.

In August 2006, the Authority issued $50.7 million in Taxable Tax Allocation Revenue Bonds Series 2006 Series A (2006 Series A Bonds); and $34.5 million in Tax Allocation Revenue Bonds Series B (2006 Series B Bonds). These bonds are secured by a pledge of the Agency's share of certain property tax revenue derived from related project areas.

The 2006 Series A Bonds consist of $19.9 million in serial bonds that mature through August 1, 2036 with interest rates ranging from 5.618% to 6.185% and $30.8 million in capital appreciation bonds that mature through August 1, 2036 with interest rates ranging from 5.93% to 6.06%. The net proceeds from the 2006 Series A Bonds will be used to finance the construction, rehabilitation and preservation of low-income housing and for general redevelopment purposes.

The net proceeds from the 2006 Series B Bonds, will be used to finance certain public infrastructure improvements and other redevelopment activities in the Mission Bay North Project Area. These bonds mature through August 1, 2036 with interest rates ranging from 4% to 5%.

In order to facilitate construction and rehabilitation in the City, various construction loan notes, promissory notes, community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately $644 million as of June 30, 2007 have been issued by the Agency on behalf of various developer and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

California Health and Safety Code Section 33334.3 requires the Agency to set aside 20% of the proceeds from its incremental property tax revenues for expenditures for low and moderate income housing. Related interest earned on these funds must also be set aside for such purposes. The Agency established a Low and Moderate Income Housing Fund to account for this commitment and has reserved $427 million for such expenditures since its inception. The Agency has expended $310 million for low- and moderate-income housing since its inception.

The Agency had commitments under contracts for capital improvements of approximately $62.6 million as of June 30, 2007.

(13) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. The TIDA is governed by seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The mission of TIDA is to redevelop the former Naval Station Treasure Island and to manage its integration with the City in compliance with federal, state and City guidelines (including the California Tidelands Trust) to maximize revenues to the City's General Fund; to create new job opportunities for San Francisco residents, including assuring job opportunities for homeless and economically

disadvantaged residents; to increase recreational and bay access venues for San Francisco and Bay Area residents; and to promote the welfare and well being of the citizens of San Francisco.

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Redevelopment Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to the TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing 1,000 housing units; and overseeing the U.S. Navy's toxic remediation activities on the former naval base.

During fiscal year 2002-2003, TIDA received Navy agreement to initiate the process of early transfer and entered an exclusive negotiating agreement with a private developer for the redevelopment of the former naval base. TIDA completed an Environmental Impact Report (EIR) for the transfer in June 2006.

(14) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash. The composition of interfund balances as of June 30, 2007, is as follows (in thousands):

Due to/from other funds (in thousands):

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$ 7,678
	San Francisco International Airport	2
	Water Enterprise	4,815
	Laguna Honda Hospital	17,620
		30,115
Nonmajor Governmental Funds	Nonmajor Governmental Funds	5,066
	Internal Service Funds	3,576
	Municipal Transportation Agency	7,976
	San Francisco International Airport	26
		16,644
San Francisco Water Enterprise	Nonmajor Governmental Funds	63
	Municipal Transportation Agency	145
		208
Hetch Hetchy Water and Power Enterprise	General Fund	1,247
	Nonmajor Governmental Funds	11,701
	General Hospital Medical Center	2,085
		15,033
Municipal Transportation Agency	General Fund	25
	Nonmajor Governmental Funds	25,455
	Internal Service Funds	87
		25,567
Total		$ 87,567

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - governmental	Component Unit - San Francisco Redevelopment Agency	$ 6,665
Hetch Hetchy Water and Power Enterprise	Component Unit - Treasure Island Development Authority	$ 2,599

Transfers In (in thousands):

Transfers Out:	Funds							
Funds	General Fund	Nonmajor Governmental	Internal Service Funds	Governmental Activities	Municipal Transportation Agency	San Francisco General Hospital Medical Center	Laguna Honda Hospital	Total
General Fund	$ -	$ 111,839	$ 550	$ -	$ 197,064	$ 130,224	$ 46,923	$ 486,600
Nonmajor governmental funds	6,029	25,836	-	-	59,132	-	91,250	182,247
San Francisco International Airport	23,348	-	-	-	-	-	-	23,348
San Francisco Water Enterprise	9,900	35	-	(172)	-	-	-	9,763
Municipal Transportation Agency	-	8,283	-	-	-	-	-	8,283
San Francisco General Hospital Medical Center	32,000	-	-	-	-	-	193	32,193
San Francisco Wastewater Enterprise	-	28	-	-	-	-	-	28
Total transfers out	$ 71,277	$ 146,021	$ 550	$ (172)	$ 256,196	$ 130,224	$ 138,366	$ 742,462

The $486.6 million General Fund transfer out includes a total of $374.2 million in operating subsidies to the Municipal Transportation Agency, San Francisco General Hospital Medical Center, and Laguna Honda Hospital (note 11). The transfers of $111.8 million from the General Fund to the nonmajor governmental funds are to provide support to various City programs such as the Public Library and the Children and Families Fund, as well as to provide resources for the payments of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

The General Fund received transfers in of $32 million from the San Francisco General Hospital Medical Center for the SB 855 matching program reimbursement (note 11(g)), and $23.3 million from the San Francisco International Airport, representing a portion of concession revenue (note 11 (a)). The $59.1 million transferred to Municipal Transportation Agency from nonmajor governmental funds represented capital and operating transfers from the San Francisco Transportation Authority. The $91.2 million transfer from nonmajor governmental funds to Laguna Honda Hospital is for capital transfers funded by the Laguna Honda Hospital General Obligation Bond in the City Facilities Improvement Fund.

In fiscal year 2006-2007, a building with a net book value of $0.2 million was transferred from governmental activities to the Water Enterprise.

(15) Commitments and Contingent Liabilities

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that no significant liabilities will result.

(b) Operating Leases

The City has noncancellable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years	
2008	$ 23,094
2009	16,705
2010	15,071
2011	10,558
2012	8,615
2013-2017	4,104
Total	$ 78,147

Operating lease expense incurred for fiscal year 2006-2007 was approximately $26.7 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	San Francisco General Hospital Medical Center (SFGH)	Total Business-type Activities
2008	$ 5,639	$ 3,105	$ 6,402	$ 6,797	$ 21,943
2009	4,559	3,105	6,333	2,989	16,986
2010	79	3,105	6,319	2,682	12,185
2011	75	3,105	6,367	1,237	10,784
2012	75	3,105	6,492	380	10,052
2013-2017	-	15,301	34,856	-	50,157
2018-2022	-	14,730	39,514	-	54,244
2023-2027	-	14,730	45,387	-	60,117
2028-2032	-	14,730	52,807	-	67,537
2033-2037	-	14,730	-	-	14,730
2038-2042	-	14,730	-	-	14,730
2043-2047	-	14,730	-	-	14,730
2048-2052	-	6,138	-	-	6,138
Total	$ 10,427	$ 125,344	$ 204,477	$ 14,085	$ 354,333

Operating lease expense incurred for the Airport, Port, MTA, and SFGH for fiscal year 2006-2007 was $5.3 million, $3.0 million, $5.6 million, and $4.4 million, respectively.

Component Unit – San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (The Agency) has noncancellable operating leases for its office sites, which require the following minimum annual payments (in thousands):

Fiscal Years	
2008	$ 1,797
2009	1,797
2010	1,775
2011	1,775
2012	1,775
2013-2017	8,876
2018-2022	4,515
2023-2027	4,119
2028-2032	4,119
2033-2037	4,119
2038-2042	4,119
2043-2047	4,119
2048-2052	2,677
Total	$ 45,582

Rent payments totaling $1.7 million are included in the Agency's financial statements for the year ended June 30, 2007.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years	
2008	$ 1,414
2009	1,339
2010	1,127
2011	702
2012	598
2013-2017	2,090
2018-2022	710
2023-2027	210
Total	$ 8,190

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital Medical Center	Municipal Transportation Agency	Market Corp	Total Business-type Activities
2008	$ 77,829	$ 27,550	$ 1,518	$ 2,496	$ 842	$ 110,235
2009	68,103	24,964	1,579	2,391	820	97,857
2010	53,676	21,900	1,642	2,222	781	80,221
2011	37,528	18,894	1,708	1,819	764	60,713
2012	17,919	18,262	1,776	1,371	753	40,081
2013-2017	-	79,933	1,847	3,321	861	85,962
2018-2022	-	67,936	-	-	-	67,936
2023-2027	-	54,743	-	-	-	54,743
2028-2032	-	49,331	-	-	-	49,331
2033-2037	-	44,740	-	-	-	44,740
2038-2042	-	30,310	-	-	-	30,310
2043-2047	-	21,821	-	-	-	21,821
2048-2052	-	14,992	-	-	-	14,992
2053-2057	-	7,900	-	-	-	7,900
2058-2062	-	7,023	-	-	-	7,023
2063-2067	-	6,709	-	-	-	6,709
2068-2072	-	4	-	-	-	4
Total	$ 255,055	$ 497,012	$ 10,070	$ 13,620	$ 4,821	$ 780,578

Certain of the Airport's rental agreements with concessionaires specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees were approximately $14.9 million in fiscal year 2006-2007.

Component Unit – San Francisco Redevelopment Agency

The Agency leases various facilities within the Yerba Buena Center, Western Addition and Hunters Point areas. The minimum annual payments are as follows (in thousands):

Fiscal Years	
2008	$ 4,548
2009	4,583
2010	4,633
2011	4,662
2012	4,485
2013-2017	22,474
2018-2022	21,917
2023-2027	21,666
2028-2032	23,392
2033-2037	22,578
2038-2042	20,775
2043-2047	18,843
2048-2052	2,302
2053-2057	470
2058-2062	400
2063-2067	385
2068-2072	257
2073-2077	218
2078-2082	150
2083-2087	150
2088-2092	150
2093-2097	150
2098-2102	8
Total	$ 179,196

(c) Other Lease Commitments

The City is making lease payments to the Agency for the Moscone Convention Center in the amount of approximately $19 million per year through July 1, 2024. The lease payments are intended to approximate the debt service requirements of the corresponding lease revenue bonds that were issued by the Agency to finance the construction and expansion of the Moscone Convention Center which are recorded as a long term obligation of the Agency. Together with financing from the City through appropriation of a portion of the hotel tax and through the issuance of lease revenue bonds by the Finance Corporation, the total cost of approximately $371.4 million was included in the City's asset class of facilities and improvements.

The City is also making lease payments to outside lessors for various telecommunication and information equipment through an internal service fund.

Amounts to be provided for capital leases are as follows (in thousands):

Fiscal Years	Moscone Convention Center	Other	Total
2008	$ 18,571	$ 1,147	$ 19,718
2009	18,640	1,084	19,724
2010	18,717	1,011	19,728
2011	18,794	-	18,794
2012	18,873	-	18,873
2013-2017	94,841	-	94,841
2018-2022	48,078	-	48,078
2023-2027	9,689	-	9,689
Total minimum lease payments	246,203	3,242	249,445
Less amounts representing interest	(63,450)	(259)	(63,709)
Present value of maximum lease payments	$ 182,753	$ 2,983	$ 185,736

(d) Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $1.2 billion at June 30, 2007.

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), which was formed in 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The City, on behalf of MUNI, is responsible for 11.6% of the net operating costs and administrative expenses of the PCJPB for operating and capital needs. During the fiscal year ended June 30, 2007, the City contributed approximately $6.8 million to the PCJPB. This is paid by MTA from the subsidy transfer it receives from the City.

The San Francisco Redevelopment Agency (the Agency) provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development (HUD) guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is $48.6 million. As of June 30, 2007, management has designated $4.9 million for standby payment agreements. It is management's intent to designate 10% of the estimated maximum obligation.

(16) Risk Management

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for Municipal Railway); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries general liability insurance coverage of $750 million, subject to a deductible of $10,000 per single occurrence and commercial property insurance coverage for full replacement value on all facilities owned by the Airport subject to a deductible of $0.5 million per single occurrence. Additionally, tenants and contractors on all contracts are required to carry commercial general liability insurance in various amounts naming the Airport as additional insured. The SFO does not carry insurance for losses due to seismic activity and losses for war, terrorism and hijacking. The Airport carries public official liability and employer's liability coverage of $5 million, subject to deductible of $100,000 per single occurrence for each wrongful act other than employment practices' violations, and $200,000 per each occurrence for employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment and watercraft liability for Airport fire and rescue vessels. The Port carries commercial insurance for all risks of loss except workers' compensation, property damage to Port-owned vehicles and employee health and accident. The Port's property insurance does not cover losses due to seismic events. Additionally, limited insurance coverage is maintained by the City for the Moscone Convention Center property, personal liability, and for art at City-owned museums.

The San Francisco Redevelopment Agency is a member of the Bay Cities Joint Powers Authority which provides coverage for its general liability, automobile liability, and public officials' errors and omissions risks with combined single limits of $20 million per occurrence and a deductible of $50,000 self-insurance retention per occurrence.

Any claims relating to the construction of the Moscone Convention Center are indemnified by the City under an agreement between the Redevelopment Agency and the City.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2007 has been actuarially determined and includes an estimate of incurred but not reported losses.

Changes in the reported estimated claims payable since June 30, 2005, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2005-2006	$ 152,255	$ 38,053	$ (43,048)	$ 147,260
2006-2007	147,260	84,049	(38,369)	192,940

Breakdown of the estimated claims payable at June 30, 2007 is as follows (in thousands):

Governmental Activities:	
Current portion of estimated claims payables	$ 52,527
Long-term portion of estimated claims payable	61,904
Business-type activities:	
Current portion of estimated claims payables	21,486
Long-term portion of estimated claims payable	57,023
Total	$ 192,940

During the year ended June 30, 2007, the Retirement System was involved in one class action type lawsuit filed by the Veteran Police Officers Association (VPOA). This lawsuit involves issues related to "final compensation" as defined by the Plan. The VPOA lawsuit alleges that the Retirement System should include Police Officer Standard Training (POST) pay in pension calculations for those police officers who retired prior to the creation of the POST ranks. The Retirement System was successful in defending the VPOA lawsuit in the trial court and on appeal. The California Supreme Court did not rule on VPOA's Petition for Review before June 30, 2007; its denial was issued thereafter.

The Retirement System was a plaintiff in three securities fraud cases. The first lawsuit, against Enron Corporation, its officers and its accountants, was resolved during the year ended June 30, 2007. The Retirement System was unsuccessful in recovering on its claims. In the second case, the Retirement System joined a coalition of government pension funds in a securities fraud suit against various investment banks for losses relating to WorldCom bonds. The third securities fraud is an "opt out" case against Qwest Corporation. The WorldCom and Qwest cases are still in the preliminary stage and it is premature to determine the amount of recovery for the Retirement System in these matters.

The Retirement System is involved in various other petitions, lawsuits, and threatened lawsuits relating to individuals' benefits due under the Retirement System which management does not expect to have a material impact on the net assets available for pension benefits. The results of such actions are included in the Retirement System's experience factors used in its actuarial valuations and, accordingly, are eventually considered in establishing the City and County's required annual contributions.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2007 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2007 was $341.1 million which is reported in the appropriate individual funds in accordance with the City's accounting policies (note 2).

Changes in the reported accrued workers' compensation since June 30, 2005, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2005-2006	$ 391,428	$ 44,863	$ (72,156)	$ 364,135
2006-2007	364,135	43,753	(66,760)	341,128

Breakdown of the accrued workers' compensation liability at June 30, 2007 is as follows (in thousands):

Governmental Activities:	
Current portion of accrued workers' compensation liability.....	$ 38,963
Long-term portion of accrued workers' compensation liability.....	155,726
Business-type activities:	
Current portion of accrued workers' compensation liability.....	30,829
Long-term portion of accrued worker's compensation liability.....	115,610
Total.....	$ 341,128

(17) SUBSEQUENT EVENTS

Long-term Debt

As of August 2007, the Uptown Parking Corporation (the Corporation) learned that a lawsuit had been brought against them by a group who states that the Union Square Garage design discriminates against people with disabilities. This matter has been directed to the Corporation's attorneys. While it is too early to ascertain whether a probable outcome would be in the Corporation's favor or not, there is a possibility that the Corporation would have to redesign the facilities at Union Square Garage to better serve the disabled.

In October 2007, the San Francisco Finance Corporation issued Lease Revenue Bonds Series 2007 (Open Space Fund -Various Park Projects) in the amount of $42.4 million. The proceeds of the bonds will be used to finance the design, construction and renovation of the various parks of the City. Interest rates ranges from 3.75% to 5.875%. The bonds begin to mature in July 2008 through July 2029.

In October 2007, the City initiated the second borrowing from the Credit Agreement with Bank of America, N.A. in the amount of $3.8 million under the Seismic Safety Loan Program. The borrowing was authorized by Resolution No. 65-07 by the Board of Supervisors. The Seismic Safety Loan Program was approved by the voters of the City and County of San Francisco by Proposition "A" in November 1992 which authorized the issuance of $350 million aggregate principal amount of general obligation bonds to provide funds for loans to finance the seismic strengthening of unreinforced masonry buildings within the City. The second borrowing is for below market rate loan accounts and bears interest of 5.83% with principal amortizing from June 2008 to June 2027. Debt service payments are funded through ad valorem taxes on property.

In November 2007, the San Francisco Redevelopment Agency issued $118.3 million in 2007 Series A Taxable Tax Allocation Revenue Bonds (2007 A Bonds) and $94.1 million in 2007 Series B Tax Allocation Revenue Refunding Bonds (2007 B Bonds). The proceeds from the 2007 A Bonds will be used for general redevelopment purposes, including financing the development, rehabilitation and preservation of low and moderate income housing.

The 2007 Series B Bonds were issued for the purpose of refunding the entire 1999 Series A and 1999 Series B Tax Allocation Revenue Refunding Bonds, as well as the 2000 Series A and 2001 Series A Tax Allocation Revenue Bonds.

Elections

On November 6, 2007, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Measure A: Charter amendment that continues the existing service and performance standards for Muni, and expands MTA's authority over its operations and additional funding. Various Charter amendments will be made to MTA in regards to Funding/Budget, Governing Authority, Labor and Personnel, Parking and Traffic, and Greenhouse Gas Emissions Reduction.

Fiscal impact: The cost of government beginning in fiscal year 2008-2009 would direct approximately $26 million from the General Fund to the MTA. This amount is a share of the General Fund measured by 40% of the revenue from the City's parking tax, and would be added to an equal amount that the MTA already receives. Future revenue growth from changes in parking policies and parking fine amounts will be dedicated to the MTA.

Measure F: Authorizes the Board of Supervisors to amend the contract with CalPERS to allow police department employees who served as airport police officers before December 27, 1997, to end their participation in CalPERS and move their service credit to SFERS even if it costs the City additional money.

Fiscal impact: The cost of government is estimated to increase by $670 thousand, due to allowing the Board of Supervisors to enter into a contract between the City and CalPERS at a cost of the City of up to $670 thousand. A majority of the cost would likely be borne by the Airport, and any cost above that limit would have to be paid by the employees themselves.

Measure G: Establishes a Golden Gate Park Stables Matching Fund to be used for renovation, repair and maintenance of the Golden Gate Park stables and provide up to $750 thousand in matching funds toward this Fund.

Fiscal impact: The cost of government is estimated to increase by $750 thousand total over the period between April 1, 2008 and March 31, 2009.

Measure I: Establishes the Office of Small Business as a City Department. The Office would assist businesses with 100 or fewer full-time employees by providing information on requirements, bidding on government contracts, compliance with applicable laws and regulations, and adoption of "green" and sustainable business practices.

Fiscal impact: The cost of government is estimated to increase by $750 thousand in fiscal year 2007-2008 to fund a proposed City Office of Small Business and Small Business Assistance Center beginning in January 2008.

Required Supplementary Information

Photo by Bob Ecker, San Francisco Convention & Visitors Bureau

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information - Historical Pension Data (Unaudited)

Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for the Employees' Retirement System (In thousands):

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over-funded AAL (OAAL)	Funded Ratio	Covered Payroll	OAAL as a % of Covered Payroll
7/1/2004	$ 11,299,997	$ 10,885,455	$ 414,542	103.8%	$ 2,155,252	19.2%
7/1/2005	12,659,698	11,765,737	893,961	107.6%	2,052,862	43.5%
7/1/2006	13,597,646	12,515,463	1,082,183	108.7%	2,161,261	50.1%

California Public Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for PERS (In thousands):

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over (Under) funded AAL (OAAL)	Funded Ratio	Covered Payroll	OAAL as a % of Covered Payroll
06/30/02:						
Misc.	$ 31,897	$ 21,889	$ 10,008	145.7%	$ 1,150	870.3%
Safety	430,019	417,394	12,625	103.0%	71,716	17.6%
Total	$ 461,916	$ 439,283	$ 22,633	105.2%	$ 72,866	31.1%
06/30/03: [1]						
Safety	$ 442,850	$ 458,152	$ (15,302)	96.7%	$ 79,093	-19.3%
06/30/04: [1]						
Safety	$ 476,176	$ 493,373	$ (17,197)	96.5%	$ 79,634	-21.6%

NOTES:

[1] There is a new pooled report format for the Miscellaneous First Tier Plan of the City and County of San Francisco for Miscellaneous 2% at 55 Risk Pool. Since this plan had less than 199 active members as of June 30, 2003, PERS changed the plan from an agent multiple employer plan to a cost-sharing multiple-employer plan. As such, funding status is no longer required to be disclosed.

Combining Financial Statements and Schedules

Photo by Phil Coblentz, San Francisco Convention & Visitors Bureau

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Building Inspection Fund -- Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings.

Children and Families Fund -- Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund -- Accounts for various grants primarily from the Department of Housing and Urban Development to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund -- Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund -- Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund -- Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund -- Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

(Continued)

SPECIAL REVENUE FUNDS *(Continued)*

Gasoline Tax Fund -- Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund -- Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift Fund -- Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund -- Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund -- Accounts for state and federal grants used to promote education and discourage domestic violence.

Open Space and Park Fund -- Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund -- Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund -- Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund -- Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund -- Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

(Continued)

SPECIAL REVENUE FUNDS *(Continued)*

San Francisco County Transportation Authority Fund -- Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund -- Accounts for revenues from the allocation of one-fifth of the parking tax receipts and for grants from the state to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund -- Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund -- Accounts for property taxes and other revenues for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds -- Accounts for transfers of Base Rental payments from the various COP Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds -- Accounts for funds and debt service of two nonprofit corporations (Social Services Corporation and San Francisco Stadium, Inc.) and business tax settlement bonds.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund -- Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

(Continued)

CAPITAL PROJECTS FUNDS *(Continued)*

Earthquake Safety Improvement Fund -- Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Fire Protection Systems Improvement Fund -- Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund -- Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund -- Accounts for bond proceeds and private gifts which are designated for construction of public library facilities including a new main library. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund -- Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund -- Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund -- Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

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CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
ASSETS					
Deposits and investments with City Treasury	$ 494,146	$ 39,620	$ 308,952	$ 6,503	$ 849,221
Deposits and investments outside City Treasury	7,318	15,136	29,010	54	51,518
Receivables:					
Property taxes and penalties	4,635	6,695	-	-	11,330
Other local taxes	15,049	-	-	-	15,049
Federal and state grants and subventions	61,733	-	15,518	-	77,251
Charges for services	7,983	-	374	-	8,357
Interest and other	8,717	1,368	4,875	81	15,041
Due from other funds	8,924	-	7,720	-	16,644
Due from component unit	-	-	958	-	958
Loans receivable (net of allowance for uncollectibles)	64,504	-	-	-	64,504
Deferred charges and other assets	1,751	-	38	-	1,789
Total assets	$ 674,760	$ 62,819	$ 367,445	$ 6,638	$ 1,111,662
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 51,665	$ 62	$ 30,668	$ 29	$ 82,424
Accrued payroll	11,500	-	1,115	13	12,628
Deferred tax, grant and subvention revenues	15,661	5,663	1,575	-	22,899
Due to other funds	36,856	-	13,107	-	49,963
Deferred credits and other liabilities	74,640	6,653	1,977	-	83,270
Bonds, loans, capital leases and other payables	150,000	-	-	-	150,000
Total liabilities	340,322	12,378	48,442	42	401,184
Fund balances:					
Reserved for assets not available for appropriation	18,362	-	997	54	19,413
Reserved for debt service	858	50,441	-	-	51,299
Reserved for encumbrances	87,759	-	201,098	91	288,948
Reserved for appropriation carryforward	172,010	-	117,281	2,943	292,234
Reserved for subsequent years' budgets	8,004	-	-	-	8,004
Unreserved (deficit)	47,445	-	(373)	3,508	50,580
Total fund balances	334,438	50,441	319,003	6,596	710,478
Total liabilities and fund balances	$ 674,760	$ 62,819	$ 367,445	$ 6,638	$ 1,111,662

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year ended June 30, 2007

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 98,445	$ 121,729	$ -	$ -	$ 220,174
Business taxes	835	-	-	-	835
Other local taxes	128,129	-	-	-	128,129
Licenses, permits and franchises	7,789	-	-	-	7,789
Fines, forfeitures and penalties	4,151	-	-	-	4,151
Interest and investment income	27,986	4,370	21,080	321	53,757
Rents and concessions	31,682	786	675	901	34,044
Intergovernmental:					
Federal	192,129	-	5,986	-	198,115
State	87,386	649	14,883	-	102,918
Other	1,873	-	13,816	-	15,689
Charges for services	147,182	-	193	-	147,375
Other	20,385	-	1,907	95	22,387
Total revenues	747,972	127,534	58,540	1,317	935,363
Expenditures:					
Current:					
Public protection	56,481	-	-	-	56,481
Public works, transportation and commerce	215,723	-	-	-	215,723
Human welfare and neighborhood development	171,749	-	-	181	171,930
Community health	99,675	-	-	-	99,675
Culture and recreation	191,547	-	-	596	192,143
General administration and finance	9,524	-	-	-	9,524
General City responsibilities	698	-	-	-	698
Debt service:					
Principal retirement	11	98,158	-	-	98,169
Interest and fiscal charges	31	70,523	712	-	71,266
Bond issuance costs	406	1,150	2,127	-	3,683
Capital outlay	-	-	283,370	-	283,370
Total expenditures	745,845	169,831	286,209	777	1,202,662
Excess (deficiency) of revenues over (under) expenditures	2,127	(42,297)	(227,669)	540	(267,299)
Other financing sources (uses):					
Transfers in	93,749	37,770	14,502	-	146,021
Transfers out	(78,372)	(2,515)	(101,018)	(342)	(182,247)
Issuance of bonds and loans					
Face value of bonds issued	2,000	157,255	153,700	-	312,955
Face value of loans issued	141	-	-	-	141
Premium on issuance of bonds	-	3,521	-		3,521
Discount on issuance of bonds	-	-	(1,856)	-	(1,856)
Payment to refunded bond escrow agent	-	(159,610)	-	-	(159,610)
Other financing sources-capital leases	968	-	3,576	-	4,544
Total other financing sources (uses)	18,486	36,421	68,904	(342)	123,469
Net change in fund balances	20,613	(5,876)	(158,765)	198	(143,830)
Fund balances at beginning of year	313,825	56,317	477,768	6,398	854,308
Fund balances at end of year	$ 334,438	$ 50,441	$ 319,003	$ 6,596	$ 710,478

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue

June 30, 2007

(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund	Environmental Protection Fund
ASSETS								
Deposits and investments with City Treasury	$ 26,111	$54,961	$ 80,957	$ 13,437	$ 22,392	$ 2,619	$ 4,663	$ 324
Deposits and investments outside City Treasury	214	-	2,470	2	-	-	17	-
Receivables:								
Property taxes and penalties	-	1,738	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Federal and state grants and subventions	-	3,813	6,850	21,760	-	-	962	804
Charges for services	107	10	-	5	189	277	139	-
Interest and other	309	775	924	121	-	36	36	1
Due from other funds	-	-	-	-	-	-	-	286
Loans receivable (net of allowance for uncollectibles)	282	-	64,222	-	-	-	-	-
Deferred charges and other assets	-	-	446	-	-	-	-	-
Total assets	$ 27,023	$61,297	$ 155,869	$ 35,325	$ 22,581	$ 2,932	$ 5,817	$ 1,415
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 1,047	$11,962	$ 4,013	$ 14,369	$ 2,176	$ 161	$ 474	$ 481
Accrued payroll	1,223	604	439	1,124	21	-	124	24
Deferred tax, grant and subvention revenues	-	1,441	175	2,432	-	-	13	806
Due to other funds	-	-	-	54	-	-	-	-
Deferred credits and other liabilities	7,540	1,759	49,080	2,000	2,334	-	200	-
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-	-
Total liabilities	9,810	15,766	53,707	19,979	4,531	161	811	1,311
Fund balances:								
Reserved for assets not available for appropriation	-	-	17,628	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-	
Reserved for encumbrances	1,295	7,132	28,860	9,453	1,388	116	379	739
Reserved for appropriation carryforward	10,633	27,135	57,333	7,289	9,754	278	3,638	149
Reserved for subsequent years' budgets	-	8,000	-	-	-	-	4	-
Unreserved (deficit)	5,285	3,264	(1,659)	(1,396)	6,908	2,377	985	(784)
Total fund balances	17,213	45,531	102,162	15,346	18,050	2,771	5,006	104
Total liabilities and fund balances	$ 27,023	$61,297	$ 155,869	$ 35,325	$ 22,581	$ 2,932	$ 5,817	$ 1,415

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue *(Continued)*

June 30, 2007

(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
ASSETS							
Deposits and investments with City Treasury	$ 6,935	$ 4,557	$ 6,051	$ 1,833	$ -	$ 26,185	$29,728
Deposits and investments outside City Treasury	-	-	469	-	-	-	-
Receivables:							
Property taxes and penalties	-	-	-	-	-	1,448	1,449
Other local taxes	-	-	-	-	-	-	-
Federal and state grants and subventions	1,920	-	44	-	6,845	-	-
Charges for services	55	1,771	1	485	-	-	-
Interest and other	136	506	19	31	40	308	303
Due from other funds	-	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Deferred charges and other assets	-	-	-	-	-	-	-
Total assets	$ 9,046	$ 6,834	$ 6,584	$ 2,349	$ 6,885	$ 27,941	$31,480
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 169	$ 1,164	$ 257	$ 491	$ 1,057	$ 454	$ 1,946
Accrued payroll	1,127	240	21	162	24	697	2,109
Deferred tax, grant and subvention revenues	-	-	456	-	257	1,168	1,197
Due to other funds	-	-	-	-	2,472	-	-
Deferred credits and other liabilities	-	125	-	149	-	1,478	1,477
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-
Total liabilities	1,296	1,529	734	802	3,810	3,797	6,729
Fund balances:							
Reserved for assets not available for appropriation	-	-	469	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-
Reserved for encumbrances	1,953	195	493	343	2,747	984	6,010
Reserved for appropriation carryforward	5,801	4,968	4,310	501	775	12,860	3,555
Reserved for subsequent years' budgets	-	-	-	-	-	-	-
Unreserved (deficit)	(4)	142	578	703	(447)	10,300	15,186
Total fund balances	7,750	5,305	5,850	1,547	3,075	24,144	24,751
Total liabilities and fund balances	$ 9,046	$ 6,834	$ 6,584	$ 2,349	$ 6,885	$ 27,941	$31,480

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue *(Continued)*

June 30, 2007

(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
ASSETS							
Deposits and investments with City Treasury	$13,480	$ 19,704	$ 3,321	$165,636	$ -	$ 11,252	$ 494,146
Deposits and investments outside City Treasury	1	-	337	3,808	-	-	7,318
Receivables:							
Property taxes and penalties	-	-	-	-	-	-	4,635
Other local taxes	567	-	-	14,482	-	-	15,049
Federal and state grants and subventions	15,592	165	-	2,643	335	-	61,733
Charges for services	991	3,952	1	-	-	-	7,983
Interest and other	534	632	1	4,005	-	-	8,717
Due from other funds	-	422	240	7,976	-	-	8,924
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	64,504
Deferred charges and other assets	8	1,256	-	41	-	-	1,751
Total assets	$31,173	$ 26,131	$ 3,900	$198,591	$ 335	$ 11,252	$ 674,760
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 1,726	$ 1,388	$ 276	$ 7,650	$ 179	$ 225	$ 51,665
Accrued payroll	2,392	638	96	80	-	355	11,500
Deferred tax, grant and subvention revenues	7,716	-	-	-	-	-	15,661
Due to other funds	-	3,868	-	30,306	156	-	36,856
Deferred credits and other liabilities	-	4,520	-	3,964	-	14	74,640
Bonds, loans, capital leases and other payables	-	-	-	150,000	-	-	150,000
Total liabilities	11,834	10,414	372	192,000	335	594	340,322
Fund balances:							
Reserved for assets not available for appropriation	8	-	257	-	-	-	18,362
Reserved for debt service	-	-	-	858	-	-	858
Reserved for encumbrances	13,056	6,243	10	5,923	-	440	87,759
Reserved for appropriation carryforward	4,868	3,451	5,115	1,235	11	8,351	172,010
Reserved for subsequent years' budgets	-	-	-	-	-	-	8,004
Unreserved (deficit)	1,407	6,023	(1,854)	(1,425)	(11)	1,867	47,445
Total fund balances	19,339	15,717	3,528	6,591	-	10,658	334,438
Total liabilities and fund balances	$31,173	$ 26,131	$ 3,900	$198,591	$ 335	$ 11,252	$ 674,760

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue
Year ended June 30, 2007
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund	Environmental Protection Fund
Revenues:								
Property taxes	$ -	$ 37,015	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	835	-	-	-	-	-
Other local taxes	-	-	-	-	42,251	-	-	-
Licenses, permits and franchises	3,555	-	-	-	-	-	160	-
Fines, forfeitures and penalties	-	-	-	1,775	-	36	-	-
Interest and investment income	1,506	2,450	7,378	544	1,066	177	144	55
Rents and concessions	-	-	-	-	16,349	-	325	-
Intergovernmental:								
Federal	-	10,367	40,987	69,891	-	-	34	141
State	-	13,876	603	22,725	-	-	6,877	2,872
Other	-	-	-	-	-	-	-	340
Charges for services	40,340	1,009	4,480	2,052	3,401	4,133	7,578	-
Other	-	11	13,906	94	-	-	640	469
Total revenues	45,401	64,728	68,189	97,081	63,067	4,346	15,758	3,877
Expenditures:								
Current:								
Public protection	-	-	-	90	-	317	-	-
Public works, transportation and commerce	47,874	28	1,004	-	-	592	347	-
Human welfare and neighborhood development	-	71,777	67,574	-	1,274	-	-	3,177
Community health	-	-	-	94,937	-	-	-	-
Culture and recreation	-	-	89	-	63,653	-	9,750	-
General administration and finance	-	-	798	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	11	-
Interest and fiscal charges	-	-	-	-	-	-	1	-
Bond issuance costs	-	-	406	-	-	-	-	-
Total expenditures	47,874	71,805	69,871	95,027	64,927	909	10,109	3,177
Excess (deficiency) of revenues over (under) expenditures	(2,473)	(7,077)	(1,682)	2,054	(1,860)	3,437	5,649	700
Other financing sources (uses):								
Transfers in	-	9,759	577	-	9,426	-	664	-
Transfers out	(1,005)	-	(2,364)	(70)	(1,065)	(4,184)	(850)	(589)
Issuance of bonds and loans								
Face value of bonds issued	-	-	2,000	-	-	-	-	-
Face value of loans issued	-	-	141	-	-	-	-	-
Other financing sources-capital leases	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,005)	9,759	354	(70)	8,361	(4,184)	(186)	(589)
Net change in fund balances	(3,478)	2,682	(1,328)	1,984	6,501	(747)	5,463	111
Fund balances at beginning of year	20,691	42,849	103,490	13,362	11,549	3,518	(457)	(7)
Fund balances at end of year	$ 17,213	$ 45,531	$ 102,162	$ 15,346	$ 18,050	$ 2,771	$ 5,006	$ 104

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 30,580	$ 30,850
Business taxes	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-
Licenses, permits and franchises	-	2,048	-	-	219	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-
Interest and investment income	406	54	303	71	143	1,004	919
Rents and concessions	-	812	-	2,957	-	-	38
Intergovernmental:							
Federal	-	3,891	-	-	13,510	-	10
State	26,959	-	-	-	-	168	848
Other	-	-	-	-	-	-	-
Charges for services	328	1,758	79	7,361	209	21	724
Other	2	-	3,443	-	100	-	31
Total revenues	27,695	8,563	3,825	10,389	14,181	31,773	33,420
Expenditures:							
Current:							
Public protection	-	333	62	-	-	-	-
Public works, transportation and commerce	34,756	1,140	112	6	-	991	708
Human welfare and neighborhood development	-	-	1,463	-	14,204	-	-
Community health	-	-	615	-	-	-	-
Culture and recreation	-	677	1,032	9,696	-	28,959	66,982
General administration and finance	-	1,876	2,386	-	-	-	-
General City responsibilities	-	524	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Total expenditures	34,756	4,550	5,670	9,702	14,204	29,950	67,690
Excess (deficiency) of revenues over (under) expenditures	(7,061)	4,013	(1,845)	687	(23)	1,823	(34,270)
Other financing sources (uses):							
Transfers in	11,302	707	1,500	1,391	3,113	1,417	39,625
Transfers out	-	-	(223)	(1,417)	(79)	(307)	(265)
Issuance of bonds and loans							
Face value of bonds issued	-	-	-	-	-	-	-
Face value of loans issued	-	-	-	-	-	-	-
Other financing sources-capital leases	846	-	-	-	-	-	-
Total other financing sources (uses)	12,148	707	1,277	(26)	3,034	1,110	39,360
Net change in fund balances	5,087	4,720	(568)	661	3,011	2,933	5,090
Fund balances at beginning of year	2,663	585	6,418	886	64	21,211	19,661
Fund balances at end of year	$ 7,750	$ 5,305	$ 5,850	$1,547	$ 3,075	$ 24,144	$ 24,751

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 98,445
Business taxes	-	-	-	-	-	-	835
Other local taxes	-	-	-	76,910	-	8,968	128,129
Licenses, permits and franchises	1,807	-	-	-	-	-	7,789
Fines, forfeitures and penalties	2,333	7	-	-	-	-	4,151
Interest and investment income	1,029	1,043	15	9,160	-	519	27,986
Rents and concessions	-	99	9,240	-	-	1,862	31,682
Intergovernmental:							
Federal	49,162	19	-	-	4,117	-	192,129
State	8,251	-	-	2,296	1,911	-	87,386
Other	-	1,533	-	-	-	-	1,873
Charges for services	57,197	16,031	175	-	-	306	147,182
Other	87	1,587	15	-	-	-	20,385
Total revenues	119,866	20,319	9,445	88,366	6,028	11,655	747,972
Expenditures:							
Current:							
Public protection	55,679	-	-	-	-	-	56,481
Public works, transportation and commerce	72,547	9,081	-	46,370	-	167	215,723
Human welfare and neighborhood development	59	6,154	14	-	6,053	-	171,749
Community health	4,123	-	-	-	-	-	99,675
Culture and recreation	2	34	-	-	-	10,673	191,547
General administration and finance	255	1	4,208	-	-	-	9,524
General City responsibilities	174	-	-	-	-	-	698
Debt service:							
Principal retirement	-	-	-	-	-	-	11
Interest and fiscal charges	-	-	30	-	-	-	31
Bond issuance costs	-	-	-	-	-	-	406
Total expenditures	132,839	15,270	4,252	46,370	6,053	10,840	745,845
Excess (deficiency) of revenues over (under) expenditures	(12,973)	5,049	5,193	41,996	(25)	815	2,127
Other financing sources (uses):							
Transfers in	12,638	906	699	-	25	-	93,749
Transfers out	-	(1,743)	(4,560)	(59,132)	-	(519)	(78,372)
Issuance of bonds and loans							
Face value of bonds issued	-	-	-	-	-	-	2,000
Face value of loans issued	-	-	-	-	-	-	141
Other financing sources-capital leases	66	56	-	-	-	-	968
Total other financing sources (uses)	12,704	(781)	(3,861)	(59,132)	25	(519)	18,486
Net change in fund balances	(269)	4,268	1,332	(17,136)	-	296	20,613
Fund balances at beginning of year	19,608	11,449	2,196	23,727	-	10,362	313,825
Fund balances at end of year	$ 19,339	$ 15,717	$ 3,528	$ 6,591	$ -	$ 10,658	$ 334,438

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis

Year ended June 30, 2007

(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 35,493	$ 35,493	$ 37,015	$ 1,522
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	4,000	4,000	3,555	(445)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	800	800	1,190	390	596	1,478	2,432	954
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	10,389	10,866	10,368	(498)
State	-	-	-	-	15,739	14,048	13,876	(172)
Other	-	-	-	-	-	-	-	-
Charges for services	45,496	45,395	40,340	(5,055)	1,042	1,309	1,009	(300)
Other revenues	-	-	-	-	-	11	11	-
Total revenues	50,296	50,195	45,085	(5,110)	63,259	63,205	64,711	1,506
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	56,318	49,009	47,874	1,135	-	28	28	-
Human welfare and neighborhood development	-	-	-	-	76,655	72,551	71,763	788
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	56,318	49,009	47,874	1,135	76,655	72,579	71,791	788
Excess (deficiency) of revenues over (under) expenditures	(6,022)	1,186	(2,789)	(3,975)	(13,396)	(9,374)	(7,080)	2,294
Other financing sources (uses):								
Transfers in	-	-	-	-	9,744	9,744	9,744	-
Transfers out	(2,400)	(700)	(700)	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs		-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(28)	(28)	-	28
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,400)	(700)	(700)	-	9,716	9,716	9,744	28
Net change in fund balances	(8,422)	486	(3,489)	(3,975)	(3,680)	342	2,664	2,322
Budgetary fund balance (deficit), July 1	8,422	20,716	20,716	-	3,680	42,896	42,896	-
Budgetary fund balance (deficit), June 30	$ -	$ 21,202	$ 17,227	$ (3,975)	$ -	$ 43,238	$ 45,560	$ 2,322

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Community/Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	550	550	835	285	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	1,758	1,695	1,775	80
Interest and investment income	110	6,057	6,705	648	50	433	476	43
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	40,988	40,988	-	71,847	69,890	69,890	-
State	-	603	603	-	18,390	22,725	22,725	-
Other	-	-	-	-	-	-	-	-
Charges for services	4,024	3,387	4,480	1,093	130	2,048	2,052	4
Other revenues	-	13,513	13,906	393	264	94	94	-
Total revenues	4,684	65,098	67,517	2,419	92,439	96,885	97,012	127
Expenditures:								
Public protection	-	-	-	-	-	90	90	-
Public works, transportation and commerce	-	1,004	1,004	-	-	-	-	-
Human welfare and neighborhood development	5,784	68,458	67,968	490	-	-	-	-
Community health	-	-	-	-	92,439	94,923	94,923	-
Culture and recreation	-	89	89	-	-	-	-	-
General administration and finance	429	797	797	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	6,213	70,348	69,858	490	92,439	95,013	95,013	-
Excess (deficiency) of revenues over (under) expenditures	(1,529)	(5,250)	(2,341)	2,909	-	1,872	1,999	127
Other financing sources (uses):								
Transfers in	-	576	576	-	-	-	-	-
Transfers out	(121)	(1,710)	(1,710)	-	-	-	-	-
Issuance of bonds	-	2,000	2,000	-	-	-	-	-
Issuance of loans	-	141	141	-	-	-	-	-
Bond issuance costs	-	(406)	(406)	-	-	-	-	-
Budget reserves and designations	(340)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(461)	601	601	-	-	-	-	-
Net change in fund balances	(1,990)	(4,649)	(1,740)	2,909	-	1,872	1,999	127
Budgetary fund balance (deficit), July 1	1,990	93,868	93,868	-	-	13,352	13,352	-
Budgetary fund balance (deficit), June 30	$ -	$ 89,219	$ 92,128	$ 2,909	$ -	$ 15,224	$ 15,351	$ 127

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	42,251	42,251	42,251	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	25	25	36	11
Interest and investment income	-	-	-	-	63	63	176	113
Rents and concessions	20,702	20,702	16,349	(4,353)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	78	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	497	497	3,401	2,904	3,743	3,743	4,133	390
Other revenues	-	-	-	-	-	-	-	-
Total revenues	63,450	63,450	62,001	(1,449)	3,909	3,831	4,345	514
Expenditures:								
Public protection	-	-	-	-	4,592	335	317	18
Public works, transportation and commerce	-	-	-	-	-	592	592	-
Human welfare and neighborhood development	5,600	262	262	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	67,276	66,351	63,652	2,699	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	72,876	66,613	63,914	2,699	4,592	927	909	18
Excess (deficiency) of revenues over (under) expenditures	(9,426)	(3,163)	(1,913)	1,250	(683)	2,904	3,436	532
Other financing sources (uses):								
Transfers in	9,426	9,426	9,426	-	-	-	-	-
Transfers out	-	-	-	-	-	(4,184)	(4,184)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	9,426	9,426	9,426	-	-	(4,184)	(4,184)	-
Net change in fund balances	-	6,263	7,513	1,250	(683)	(1,280)	(748)	532
Budgetary fund balance (deficit), July 1	-	14,796	14,796	-	683	3,521	3,521	-
Budgetary fund balance (deficit), June 30	$ -	$ 21,059	$ 22,309	$ 1,250	$ -	$ 2,241	$ 2,773	$ 532

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	161	161	161	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	46	46	126	80	-	6	6	-
Rents and concessions	164	164	325	161	-	-	-	-
Intergovernmental:								
Federal	-	34	34	-	45	141	141	-
State	-	6,876	6,876	-	4,046	2,872	2,872	-
Other	-	-	-	-	-	340	340	-
Charges for services	6,221	7,619	7,578	(41)	-	-	-	-
Other revenues	557	640	640	-	-	515	469	(46)
Total revenues	7,149	15,540	15,740	200	4,091	3,874	3,828	(46)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	668	347	347	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	3,527	3,177	3,177	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	7,143	9,932	9,750	182	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	7,811	10,279	10,097	182	3,527	3,177	3,177	-
Excess (deficiency) of revenues over (under) expenditures	(662)	5,261	5,643	382	564	697	651	(46)
Other financing sources (uses):								
Transfers in	600	664	664	-	-	-	-	-
Transfers out	-	(831)	(831)	-	(564)	(540)	(540)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	(81)	(82)	-	82	-	-	-	-
Loan repayments and other financing sources (uses)	(12)	(12)	(12)	-	-	-	-	-
Total other financing sources (uses)	507	(261)	(179)	82	(564)	(540)	(540)	-
Net change in fund balances	(155)	5,000	5,464	464	-	157	111	(46)
Budgetary fund balance (deficit), July 1	155	4,426	4,426	-	-	(8)	(8)	-
Budgetary fund balance (deficit), June 30	$ -	$ 9,426	$ 9,890	$ 464	$ -	$ 149	$ 103	$ (46)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	1,889	1,889	2,048	159
Fines, forfeitures, and penalties	-	-	-	-	-	874	-	(874)
Interest and investment income	255	255	409	154	30	30	55	25
Rents and concessions	700	-	-	-	-	813	813	-
Intergovernmental:								
Federal	-	-	-	-	-	3,891	3,891	-
State	24,036	27,989	26,959	(1,030)	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	518	518	328	(190)	1,695	1,813	1,758	(55)
Other revenues	-	-	2	2	-	-	-	-
Total revenues	25,509	28,762	27,698	(1,064)	3,614	9,310	8,565	(745)
Expenditures:								
Public protection	-	-	-	-	354	333	333	-
Public works, transportation and commerce	36,111	34,549	33,910	639	1,919	1,140	1,140	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	677	677	-
General administration and finance	-	-		-	2,537	2,034	1,876	158
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	36,111	34,549	33,910	639	4,810	4,184	4,026	158
Excess (deficiency) of revenues over (under) expenditures	(10,602)	(5,787)	(6,212)	(425)	(1,196)	5,126	4,539	(587)
Other financing sources (uses):								
Transfers in	10,602	11,302	11,302	-	-	183	183	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	10,602	11,302	11,302	-	-	183	183	-
Net change in fund balances	-	5,515	5,090	(425)	(1,196)	5,309	4,722	(587)
Budgetary fund balance (deficit), July 1	-	2,664	2,664	-	1,196	591	591	-
Budgetary fund balance (deficit), June 30	$ -	$ 8,179	$ 7,754	$ (425)	$ -	$ 5,900	$ 5,313	$ (587)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Gift Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	95	95	10	10	71	61
Rents and concessions	-	-	-	-	2,694	2,693	2,957	264
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	45	79	34	8,150	8,150	7,360	(790)
Other revenues	1,194	3,235	3,443	208	-	-	-	-
Total revenues	1,194	3,280	3,617	337	10,854	10,853	10,388	(465)
Expenditures:								
Public protection	200	62	62	-	-	-	-	-
Public works, transportation and commerce	-	112	112	-	-	6	6	-
Human welfare and neighborhood development	262	1,463	1,463	-	-	-	-	-
Community health	591	615	615	-	-	-	-	-
Culture and recreation	141	1,032	1,032	-	10,940	10,764	9,696	1,068
General administration and finance	-	2,386	2,386	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	1,194	5,670	5,670	-	10,940	10,770	9,702	1,068
Excess (deficiency) of revenues over (under) expenditures	-	(2,390)	(2,053)	337	(86)	83	686	603
Other financing sources (uses):								
Transfers in	-	1,500	1,500	-	1,391	1,391	1,391	-
Transfers out	-	(17)	(17)	-	(1,417)	(1,417)	(1,417)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,483	1,483	-	(26)	(26)	(26)	-
Net change in fund balances	-	(907)	(570)	337	(112)	57	660	603
Budgetary fund balance (deficit), July 1	-	6,410	6,410	-	112	888	888	-
Budgetary fund balance (deficit), June 30	$ -	$ 5,503	$ 5,840	$ 337	$ -	$ 945	$ 1,548	$ 603

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Human Welfare Fund				Open Space and Park Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 29,669	$ 29,669	$ 30,579	$ 910
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	210	210	218	8	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	145	145	-	400	400	999	599
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	17,425	13,510	13,510	-	-	-	-	-
State	-	-	-	-	152	152	168	16
Other	-	-	-	-	-	-	-	-
Charges for services	180	180	209	29	-	-	20	20
Other revenues	-	100	100	-	-	-	-	-
Total revenues	17,815	14,145	14,182	37	30,221	30,221	31,766	1,545
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	991	991	-
Human welfare and neighborhood development	17,799	13,979	13,979	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	32,064	32,559	28,960	3,599
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	17,799	13,979	13,979	-	32,064	33,550	29,951	3,599
Excess (deficiency) of revenues over (under) expenditures	16	166	203	37	(1,843)	(3,329)	1,815	5,144
Other financing sources (uses):								
Transfers in	-	2,888	2,888	-	1,417	1,417	1,417	-
Transfers out	(16)	(79)	(79)	-	-	(307)	(307)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(2,000)	-	-	-
Total other financing sources (uses)	(16)	2,809	2,809	-	(583)	1,110	1,110	-
Net change in fund balances	-	2,975	3,012	37	(2,426)	(2,219)	2,925	5,144
Budgetary fund balance (deficit), July 1	-	64	64	-	2,426	21,229	21,229	-
Budgetary fund balance (deficit), June 30	$ -	$ 3,039	$ 3,076	$ 37	$ -	$ 19,010	$ 24,154	$ 5,144

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Public Library Fund				Public Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 29,669	$ 29,669	$ 30,850	$ 1,181	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	1,284	1,752	1,807	55
Fines, forfeitures, and penalties	-	-	-	-	1,529	1,529	2,333	804
Interest and investment income	50	77	652	575	77	286	1,027	741
Rents and concessions	28	28	38	10	-	-	-	-
Intergovernmental:								
Federal	-	10	10	-	12,162	49,162	49,162	-
State	615	628	848	220	6,197	8,251	8,251	-
Other	-	-	-	-	-	-	-	-
Charges for services	763	836	724	(112)	43,153	53,078	57,197	4,119
Other revenues	-	37	31	(6)	175	128	87	(41)
Total revenues	31,125	31,285	33,153	1,868	64,577	114,186	119,864	5,678
Expenditures:								
Public protection	-	-	-	-	29,170	54,747	54,606	141
Public works, transportation and commerce	-	708	708	-	43,872	72,561	72,548	13
Human welfare and neighborhood development	-	-	-	-	-	59	59	-
Community health	-	-	-	-	1,530	4,123	4,123	-
Culture and recreation	74,695	69,676	66,982	2,694	-	2	2	-
General administration and finance	-	-		-	-	255	255	-
General City responsibilities	-	-	-	-	-	174	174	-
Total expenditures	74,695	70,384	67,690	2,694	74,572	131,921	131,767	154
Excess (deficiency) of revenues over (under) expenditures	(43,570)	(39,099)	(34,537)	4,562	(9,995)	(17,735)	(11,903)	5,832
Other financing sources (uses):								
Transfers in	38,030	41,295	39,625	(1,670)	12,043	12,043	12,043	-
Transfers out	-	-	-	-	(218)	(218)	-	218
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(9,220)	-	-	-
Total other financing sources (uses)	38,030	41,295	39,625	(1,670)	2,605	11,825	12,043	218
Net change in fund balances	(5,540)	2,196	5,088	2,892	(7,390)	(5,910)	140	6,050
Budgetary fund balance (deficit), July 1	5,540	19,672	19,672	-	7,390	19,770	19,770	-
Budgetary fund balance (deficit), June 30	$ -	$ 21,868	$ 24,760	$ 2,892	$ -	$ 13,860	$ 19,910	$ 6,050

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Public Works, Transportation and Commerce Fund				Real Property Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	7	7	-	-	-	-
Interest and investment income	-	-	-	-	-	-	15	15
Rents and concessions	-	-	99	99	7,502	10,422	9,239	(1,183)
Intergovernmental:								
Federal	-	19	19	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	68	1,533	1,533	-	-	-	-	-
Charges for services	6,039	15,210	16,031	821	-	-	174	174
Other revenues	-	37	1,587	1,550	-	20	15	(5)
Total revenues	6,107	16,799	19,276	2,477	7,502	10,442	9,443	(999)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	14,281	8,829	5,452	-	-	-	-
Human welfare and neighborhood development	6,039	6,230	6,154	76	-	15	15	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	34	34	-	-	-	-	-
General administration and finance	68	-	-	-	8,245	4,154	4,154	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	6,107	20,545	15,017	5,528	8,245	4,169	4,169	-
Excess (deficiency) of revenues over (under) expenditures	-	(3,746)	4,259	8,005	(743)	6,273	5,274	(999)
Other financing sources (uses):								
Transfers in	-	710	710	-	-	646	646	-
Transfers out	-	(700)	(700)	-	-	(4,560)	(4,560)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	(30)	(30)	-
Total other financing sources (uses)	-	10	10	-	-	(3,944)	(3,944)	-
Net change in fund balances	-	(3,736)	4,269	8,005	(743)	2,329	1,330	(999)
Budgetary fund balance (deficit), July 1	-	11,495	11,495	-	743	2,201	2,201	-
Budgetary fund balance (deficit), June 30	$ -	$ 7,759	$ 15,764	$ 8,005	$ -	$ 4,530	$ 3,531	$ (999)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	San Francisco County Transportation Authority Fund				Senior Citizens' Program Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	74,500	74,500	76,910	2,410	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	6,628	6,628	9,160	2,532	-	-	-	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	4,058	4,117	4,117	-
State	14,889	14,889	2,296	(12,593)	1,915	1,911	1,911	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other revenues	2,000	2,000	-	(2,000)	-	-	-	-
Total revenues	98,017	98,017	88,366	(9,651)	5,973	6,028	6,028	-
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	220,486	220,486	113,379	107,107	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	5,973	6,037	6,029	8
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	220,486	220,486	113,379	107,107	5,973	6,037	6,029	8
Excess (deficiency) of revenues over (under) expenditures	(122,469)	(122,469)	(25,013)	97,456	-	(9)	(1)	8
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	18,164	18,164	-	(18,164)	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	18,164	18,164	-	(18,164)	-	-	-	-
Net change in fund balances	(104,305)	(104,305)	(25,013)	79,292	-	(9)	(1)	8
Budgetary fund balance (deficit), July 1	104,305	166,404	166,404	-	-	3	3	-
Budgetary fund balance (deficit), June 30	$ -	$ 62,099	$141,391	$ 79,292	$ -	$ (6)	$ 2	$ 8

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	War Memorial Fund				TOTAL			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 94,831	$ 94,831	$ 98,444	$ 3,613
Business taxes	-	-	-	-	550	550	835	285
Other local taxes	8,968	8,968	8,968	-	125,719	125,719	128,129	2,410
Licenses, permits, and franchises	-	-	-	-	7,544	8,012	7,789	(223)
Fines, forfeitures, and penalties	-	-	-	-	3,312	4,123	4,151	28
Interest and investment income	-	-	-	-	9,115	16,714	23,739	7,025
Rents and concessions	1,458	1,741	1,863	122	33,248	36,563	31,683	(4,880)
Intergovernmental:								
Federal	-	-	-	-	115,926	192,628	192,130	(498)
State	-	-	-	-	86,057	100,944	87,385	(13,559)
Other	-	-	-	-	68	1,873	1,873	-
Charges for services	218	264	306	42	121,869	144,092	147,179	3,087
Other revenues	-	-	-	-	4,190	20,330	20,385	55
Total revenues	10,644	10,973	11,137	164	602,429	746,379	743,722	(2,657)
Expenditures:								
Public protection	-	-	-	-	34,316	55,567	55,408	159
Public works, transportation and commerce	-	167	167	-	359,374	395,981	281,635	114,346
Human welfare and neighborhood development	-	-	-	-	121,639	172,231	170,869	1,362
Community health	-	-	-	-	94,560	99,661	99,661	-
Culture and recreation	10,832	11,590	10,673	917	203,091	202,706	191,547	11,159
General administration and finance	-	-		-	11,279	9,626	9,468	158
General City responsibilities	-	-	-	-	-	174	174	-
Total expenditures	10,832	11,757	10,840	917	824,259	935,946	808,762	127,184
Excess (deficiency) of revenues over (under) expenditures	(188)	(784)	297	1,081	(221,830)	(189,567)	(65,040)	124,527
Other financing sources (uses):								
Transfers in	-	-	-	-	83,253	93,785	92,115	(1,670)
Transfers out	-	-	-	-	(4,736)	(15,263)	(15,045)	218
Issuance of bonds	-	-	-	-	-	2,000	2,000	-
Issuance of loans	-	-	-	-	18,164	18,305	141	(18,164)
Bond issuance costs	-	-	-	-	-	(406)	(406)	-
Budget reserves and designations	-	-	-	-	(449)	(110)	-	110
Loan repayments and other financing sources (uses)	-	-	-	-	(11,232)	(42)	(42)	-
Total other financing sources (uses)	-	-	-	-	85,000	98,269	78,763	(19,506)
Net change in fund balances	(188)	(784)	297	1,081	(136,830)	(91,298)	13,723	105,021
Budgetary fund balance (deficit), July 1	188	10,326	10,326	-	136,830	455,284	455,284	-
Budgetary fund balance (deficit), June 30	$ -	$ 9,542	$10,623	$ 1,081	$ -	$ 363,986	$ 469,007	$ 105,021

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Year ended June 30, 2007
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 56,318	$ 49,005	$ 47,870	$ 1,135
Public Works	-	4	4	-
Total Building Inspection Fund	56,318	49,009	47,874	1,135
CHILDREN AND FAMILIES FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	28	28	-
Human Welfare and Neighborhood Development				
Child Support Services	15,273	15,270	14,511	759
Children and Families Commission	17,602	12,688	12,687	1
Mayor's Office	43,780	44,593	44,565	28
Total Children and Families Fund	76,655	72,579	71,791	788
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Dept of Building Inspection	-	78	78	-
Business and Economic Development	-	361	361	-
Municipal Transportation Agency	-	2	2	-
Public Works	-	563	563	-
	-	1,004	1,004	-
Human Welfare and Neighborhood Development				
Mayor's Office	689	63,277	63,277	-
Rent Arbitration Board	5,095	5,181	4,691	490
	5,784	68,458	67,968	490
Culture and Recreation				
Recreation and Park Commission	-	89	89	-
General Administration and Finance				
Administrative Services	429	797	797	-
Total Community/Neighborhood Development Fund	6,213	70,348	69,858	490
COMMUNITY HEALTH SERVICES FUND				
Public Protection				
Trial Courts	-	90	90	-
Community Health				
Community Health Network	92,439	94,923	94,923	-
Total Community Health Services Fund	92,439	95,013	95,013	-
CONVENTION FACILITIES FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	5,600	262	262	-
Culture and Recreation				
Administrative Services - Convention Facilities	67,276	66,335	63,636	2,699
Arts Commission	-	16	16	-
	67,276	66,351	63,652	2,699
Total Convention Facilities Fund	72,876	66,613	63,914	2,699

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis (*Continued*)

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Trial Courts	4,592	335	317	18
Public Works, Transportation and Commerce				
Public Works	-	592	592	-
Total Court's Fund	4,592	927	909	18
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	668	251	251	-
Public Works	-	96	96	-
	668	347	347	-
Culture and Recreation				
Arts Commission	994	1,213	1,213	-
Asian Art Museum	873	567	567	-
Fine Arts Museums	3,338	4,659	4,659	-
Recreation and Park Commission	1,938	3,493	3,311	182
	7,143	9,932	9,750	182
Total Culture and Recreation Fund	7,811	10,279	10,097	182
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	3,527	3,177	3,177	-
Total Environmental Protection Fund	3,527	3,177	3,177	-
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	35	35	-
Public Utilities Commission	-	1	1	-
Public Works	36,111	34,513	33,874	639
Total Gasoline Tax Fund	36,111	34,549	33,910	639
GENERAL SERVICES FUND				
Public Protection				
Mayor's Office	-	55	55	-
Trial Courts	354	278	278	-
	354	333	333	-
Public Works, Transportation and Commerce				
Telecommunications and Information Services	1,919	1,140	1,140	-
Culture and Recreation				
Fine Arts Museum	-	677	677	-
General Administration and Finance				
Administrative Services	-	98	98	-
Assessor/Recorder	2,537	1,704	1,700	4
Board of Supervisors	-	78	78	-
Human Resources	-	154	-	154
	2,537	2,034	1,876	158
Total General Services Fund	4,810	4,184	4,026	158

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis (*Continued*)

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT FUND				
Public Protection				
Fire Department	200	-	-	-
Police Department	-	13	13	-
Public Defender	-	48	48	-
	200	61	61	-
Public Works, Transportation and Commerce				
Public Works	-	111	111	-
Telecommunications and Information Services	-	1	1	-
	-	112	112	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	484	484	-
Social Services	262	978	978	-
	262	1,462	1,462	-
Community Health				
Community Health Network	591	615	615	-
Culture and Recreation				
Arts Commission	-	66	66	-
Fine Arts Museums	-	183	183	-
Mayor's Office	-	35	35	-
Public Library	61	649	649	-
Recreation and Park Commission	80	100	100	-
	141	1,033	1,033	-
General Administration and Finance				
Administrative Services	-	47	47	-
Mayor's Office	-	-	-	-
Treasurer/Tax Collector	-	2,340	2,340	-
	-	2,387	2,387	-
Total Gift Fund	1,194	5,670	5,670	-
GOLF FUND				
Public Works, Transportation and Commerce				
Public Works	-	6	6	-
	-	6	6	-
Culture and Recreation				
Recreation and Park Commission	10,940	10,764	9,696	1,068
Total Golf Fund	10,940	10,770	9,702	1,068
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	17,605	13,729	13,729	-
Social Services	194	250	250	-
	17,799	13,979	13,979	-
Total Human Welfare Fund	17,799	13,979	13,979	-

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis (*Continued*)

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	7	7	-
Public Works	-	984	984	-
	-	991	991	-
Culture and Recreation				
Arts Commission	-	6	6	-
Recreation and Park Commission	32,064	32,553	28,954	3,599
	32,064	32,559	28,960	3,599
Total Open Space and Park Fund	32,064	33,550	29,951	3,599
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works	-	666	666	-
Telecommunications and Information Services	-	42	42	-
	-	708	708	-
Culture and Recreation				
Public Library	74,695	69,676	66,982	2,694
Total Public Library Fund	74,695	70,384	67,690	2,694
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney	4,921	5,383	5,383	-
Fire Department	875	6,734	6,734	-
Mayor's Office	495	4,924	4,924	-
Police Commission	19,907	32,581	32,440	141
Public Defender	158	137	137	-
Sheriff	2,567	4,632	4,632	-
Trial Courts	247	356	356	-
	29,170	54,747	54,606	141
Public Works, Transportation and Commerce				
Emergency Communications Department	43,872	71,331	71,318	13
Port	-	948	948	-
Public Works	-	264	264	-
Telecommunications and Information Services	-	18	18	-
	43,872	72,561	72,548	13
Human Welfare and Neighborhood Development				
Commission on Status of Women	-	59	59	-
Community Health				
Community Health	1,530	4,123	4,123	-
Culture and Recreation				
Recreation and Park	-	2	2	-
General Administration and Finance				
Administrative Services	-	130	130	-
City Attorney	-	125	125	-
	-	255	255	-
General City Responsibilities				
Controller	-	174	174	-
Total Public Protection Fund	74,572	131,921	131,767	154

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis (*Continued*)

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	270	270	-
Public Utilities Commission	-	-	8,558	(8,558)
Public Works	-	14,011	-	14,011
	-	14,281	8,828	5,453
Human Welfare and Neighborhood Development				
Mayor's Office	6,039	6,230	6,155	75
Culture and Recreation				
Arts Commission	-	34	34	-
General Administration and Finance				
City Planning	68	-	-	-
Total Public Works, Transportation and Commerce Fund	6,107	20,545	15,017	5,528
REAL PROPERTY FUND				
Human Welfare and Neighborhood Development				
Rent Arbitration Board	-	15	15	-
General Administration and Finance				
Administrative Services	8,245	4,154	4,154	-
Total Real Property Fund	8,245	4,169	4,169	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	220,486	220,486	113,379	107,107
Total SF County Transportation Authority Fund	220,486	220,486	113,379	107,107
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	5,973	6,037	6,029	8
Total Senior Citizens' Program Fund	5,973	6,037	6,029	8
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works	-	167	167	-
Culture and Recreation				
War Memorial	10,832	11,590	10,673	917
Total War Memorial Fund	10,832	11,757	10,840	917
Total Special Revenue Funds With Legally Adopted Budgets	$ 824,259	$ 935,946	$ 808,762	$ 127,184

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Debt Service

June 30, 2007

(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
ASSETS				
Deposits and investments with City Treasury	$ 39,579	$ -	$ 41	$ 39,620
Deposits and investments outside City Treasury	-	15,136	-	15,136
Receivables:				
Property taxes and penalties	6,695	-	-	6,695
Interest and other	1,353	15	-	1,368
Total assets	$ 47,627	$ 15,151	$ 41	$ 62,819
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 62	$ -	$ -	$ 62
Deferred tax, grant and subvention revenues	5,663	-	-	5,663
Deferred credits and other liabilities	6,653	-	-	6,653
Total liabilities	12,378	-	-	12,378
Fund balances:				
Reserved for debt service	35,249	15,151	41	50,441
Total fund balances	35,249	15,151	41	50,441
Total liabilities and fund balances	$ 47,627	$ 15,151	$ 41	$ 62,819

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Debt Service
Year ended June 30, 2007
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
Revenues:				
Property taxes	$ 121,729	$ -	$ -	$ 121,729
Interest and investment income	3,981	389	-	4,370
Rents and concessions	-	786	-	786
Intergovernmental:				
State	649	-	-	649
Total revenues	126,359	1,175	-	127,534
Expenditures:				
Current:				
Debt service:				
Principal retirement	82,191	9,240	6,727	98,158
Interest and fiscal charges	55,949	13,053	1,521	70,523
Bond issuance costs	1,150	-	-	1,150
Total expenditures	139,290	22,293	8,248	169,831
Excess (deficiency) of revenues over (under) expenditures	(12,931)	(21,118)	(8,248)	(42,297)
Other financing sources (uses):				
Transfers in	85	29,437	8,248	37,770
Transfers out	-	(2,515)	-	(2,515)
Issuance of bonds and loans				
Face value of bonds issued	157,255	-	-	157,255
Premium on issuance of bonds	3,521	-	-	3,521
Payment to refunded bond escrow agent	(159,610)	-	-	(159,610)
Total other financing sources, net	1,251	26,922	8,248	36,421
Net change in fund balances	(11,680)	5,804	-	(5,876)
Fund balances at beginning of year	46,929	9,347	41	56,317
Fund balances at end of year	$ 35,249	$ 15,151	$ 41	$ 50,441

CITY AND COUNTY OF SAN FRANCISCO

DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis

Year ended June 30, 2007

(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 136,322	$ 136,322	$ 121,729	$ (14,593)
Interest and investment income	-	-	3,961	3,961
Intergovernmental:				-
State	750	750	649	(101)
Total revenues	137,072	137,072	126,339	(10,733)
Expenditures:				
Debt service:				
Principal retirement	137,072	82,191	82,191	-
Interest and fiscal charges	-	54,881	54,223	658
Bond issuance costs	-	544	544	-
Total expenditures	137,072	137,616	136,958	658
Excess (deficiency) of revenues over (under) expenditures	-	(544)	(10,619)	(10,075)
Other financing sources (uses):				
Transfers in	-	85	85	-
Issuance of bonds and loans				
Face value of bonds issued	-	1,550	1,550	-
Loan repayments and other financing uses	-	(990)	(990)	-
Total other financing sources (uses)	-	645	645	-
Net change in fund balances	-	101	(9,974)	(10,075)
Budgetary fund balance, July 1	-	52,946	52,946	-
Budgetary fund balance, June 30	$ -	$ 53,047	$ 42,972	$ (10,075)

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CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects

June 30, 2007

(In Thousands)

	City Facilities Improvement	Earthquake Safety Improvement	Fire Protection Systems Improvement	Moscone Convention Center
ASSETS				
Deposits and investments with City Treasury	$ 226,549	$ 1,716	$ 11,387	$ 7,214
Deposits and investments outside City Treasury	29,010	-	-	-
Receivables:				
Federal and state grants and subventions	-	510	-	-
Charges for services	374	-	-	-
Interest and other	3,512	23	157	158
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Deferred charges and other assets	-	-	-	38
Total assets	$ 259,445	$ 2,249	$ 11,544	$ 7,410
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 19,676	$ 377	$ 1	$ -
Accrued payroll	123	17	2	-
Deferred tax, grant and subvention revenues	-	-	-	-
Due to other funds	218	-	-	11,700
Deferred credits and other liabilities	29	24	-	-
Total liabilities	20,046	418	3	11,700
Fund balances:				
Reserved for assets not available for appropriation	-	-	-	38
Reserved for encumbrances	154,084	1,048	83	93
Reserved for appropriation carryforward	55,148	-	1,974	18
Unreserved	30,167	783	9,484	(4,439)
Total fund balances	239,399	1,831	11,541	(4,290)
Total liabilities and fund balances	$ 259,445	$ 2,249	$ 11,544	$ 7,410

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects *(Continued)*

June 30, 2007

(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
ASSETS				
Deposits and investments with City Treasury	$ 31,479	$ 30,607	$ -	$ 308,952
Deposits and investments outside City Treasury	-	-	-	29,010
Receivables:				
Federal and state grants and subventions	114	11,148	3,746	15,518
Charges for services	-	-	-	374
Interest and other	480	545	-	4,875
Due from other funds	-	3,576	4,144	7,720
Due from component unit	-	-	958	958
Deferred charges and other assets	-	-	-	38
Total assets	$ 32,073	$ 45,876	$ 8,848	$ 367,445
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,850	$ 5,372	$ 3,392	$ 30,668
Accrued payroll	186	291	496	1,115
Deferred tax, grant and subvention revenues	114	1,461	-	1,575
Due to other funds	-	-	1,189	13,107
Deferred credits and other liabilities	7	61	1,856	1,977
Total liabilities	2,157	7,185	6,933	48,442
Fund balances:				
Reserved for assets not available for appropriation	-	-	959	997
Reserved for encumbrances	8,441	29,699	7,650	201,098
Reserved for appropriation carryforward	22,772	22,205	15,164	117,281
Unreserved	(1,297)	(13,213)	(21,858)	(373)
Total fund balances	29,916	38,691	1,915	319,003
Total liabilities and fund balances	$ 32,073	$ 45,876	$ 8,848	$ 367,445

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects

Year ended June 30, 2007

(In Thousands)

	City Facilities Improvement	Earthquake Safety Improvement	Fire Protection Systems Improvement	Moscone Convention Center
Revenues:				
Interest and investment income	$ 15,407	$ 126	$ 567	$ 563
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	-	1,026	-	-
State	-	-	-	-
Other	-	-	-	-
Charges for services	193	-	-	-
Other	-	-	-	-
Total revenues	15,600	1,152	567	563
Expenditures:				
Debt service:				
Interest and fiscal charges	-	-	-	-
Bond issuance costs	2,127	-	-	-
Capital outlay	190,419	2,889	440	4
Total expenditures	192,546	2,889	440	4
Excess (deficiency) of revenues over (under) expenditures	(176,946)	(1,737)	127	559
Other financing sources (uses):				
Transfers in	3,946	-	-	-
Transfers out	(100,983)	-	-	-
Issuance of bonds and loans				
Face value of bonds issued	153,700	-	-	-
Discount on issuance of bonds	(1,856)	-	-	-
Other financing sources-capital leases	-	-	-	-
Total other financing sources, net	54,807	-	-	-
Net change in fund balances	(122,139)	(1,737)	127	559
Fund balances at beginning of year	361,538	3,568	11,414	(4,849)
Fund balances at end of year	$ 239,399	$ 1,831	$ 11,541	$ (4,290)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
Revenues:				
Interest and investment income	$ 1,938	$ 2,479	$ -	$ 21,080
Rents and concessions	55	-	620	675
Intergovernmental:				
Federal	-	1,386	3,574	5,986
State	1,030	10,820	3,033	14,883
Other	-	-	13,816	13,816
Charges for services	-	-	-	193
Other	-	1,842	65	1,907
Total revenues	3,023	16,527	21,108	58,540
Expenditures:				
Debt service:				
Interest and fiscal charges	-	284	428	712
Bond issuance costs	-	-	-	2,127
Capital outlay	18,845	40,985	29,788	283,370
Total expenditures	18,845	41,269	30,216	286,209
Excess (deficiency) of revenues over (under) expenditures	(15,822)	(24,742)	(9,108)	(227,669)
Other financing sources (uses):				
Transfers in	308	1,665	8,583	14,502
Transfers out	-	(35)	-	(101,018)
Issuance of bonds and loans				
Face value of bonds issued	-	-	-	153,700
Discount on issuance of bonds	-	-	-	(1,856)
Other financing sources-capital leases	-	3,576	-	3,576
Total other financing sources, net	308	5,206	8,583	68,904
Net change in fund balances	(15,514)	(19,536)	(525)	(158,765)
Fund balances at beginning of year	45,430	58,227	2,440	477,768
Fund balances at end of year	$ 29,916	$ 38,691	$ 1,915	$ 319,003

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund -- Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation -- Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund -- Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund -- Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city personnel. It also accounts for the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Assets
Internal Service Funds

June 30, 2007

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total	
Assets						
Current assets:						
Deposits and investments with City Treasury	$ 736	$ 289	$ 1,160	$ 8,844	$ 11,029	
Deposits and investments outside City Treasury	-	58,127	-	-	58,127	
Receivables:						
Interest and other	-	329	-	804	1,133	
Due from other funds	-	91	-	-	91	(1)
Capital leases receivable	-	23,332	-	-	23,332	
Total current assets	736	82,168	1,160	9,648	93,712	
Noncurrent assets:						
Capital leases receivable	-	227,865	-	-	227,865	
Capital assets:						
Facilities and equipment, net of depreciation	2,001	-	103	3,432	5,536	
Deferred charges and other assets	-	3,388	-	-	3,388	
Total noncurrent assets	2,001	231,253	103	3,432	236,789	
Total assets	$ 2,737	$ 313,421	$ 1,263	$ 13,080	$ 330,501	
Liabilities						
Current liabilities:						
Accounts payable	$ 1,056	$ 613	$ 364	$ 8,044	$ 10,077	
Accrued payroll	386	-	86	1,301	1,773	
Accrued vacation and sick leave pay	457	-	-	1,517	1,974	
Accrued workers' compensation	-	-	-	145	145	
Bonds, loans, capital leases, and other payables	-	21,380	-	130	21,510	
Accrued interest payable	-	1,748	-	-	1,748	
Due to other funds	66	3,663	-	25	3,754	(1)
Deferred credits and other liabilities	-	57,302	22	1,211	58,535	
Total current liabilities	1,965	84,706	472	12,373	99,516	
Noncurrent liabilities:						
Accrued vacation and sick leave pay	392	-	-	1,473	1,865	
Accrued workers' compensation	-	-	-	609	609	
Bonds, loans, capital leases, and other payables	-	228,715	-	71	228,786	
Total noncurrent liabilities	392	228,715	-	2,153	231,260	
Total liabilities	2,357	313,421	472	14,526	330,776	
Net Assets						
Invested in capital assets, net of related debt	2,001	-	103	3,231	5,335	
Unrestricted (deficit)	(1,621)	-	688	(4,677)	(5,610)	
Total net assets (deficit)	$ 380	$ -	$ 791	$ (1,446)	$ (275)	

Notes:

(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Assets - Proprietary Funds on page 34.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds

Year ended June 30, 2007

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 23,364	$ -	$ 6,929	$ 81,227	$ 111,520
Rent and concessions	-	-	-	19	19
Total operating revenues	23,364	-	6,929	81,246	111,539
Operating expenses:					
Personal services	10,937	-	2,144	33,902	46,983
Contractual services	1,893	-	3,677	30,092	35,662
Materials and supplies	8,717	-	445	9,242	18,404
Depreciation and amortization	517	213	57	913	1,700
General and administrative	91	-	22	293	406
Services provided by other departments	1,225	-	373	3,474	5,072
Other	5	-	210	2,483	2,698
Total operating expenses	23,385	213	6,928	80,399	110,925
Operating income (loss)	(21)	(213)	1	847	614
Nonoperating revenues (expenses):					
Interest and investment income	-	9,362	-	-	9,362
Interest expense	(186)	(9,149)	(52)	(178)	(9,565)
Total nonoperating revenues (expenses)	(186)	213	(52)	(178)	(203)
Income (loss) before transfers	(207)	-	(51)	669	411
Transfers in	320	-	52	178	550
Change in net assets	113	-	1	847	961
Total net assets (deficit) - beginning	267	-	790	(2,293)	(1,236)
Total net assets (deficit) - ending	$ 380	$ -	$ 791	$ (1,446)	$ (275)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows
Internal Service Funds

Year ended June 30, 2007

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 23,441	$ 28,695	$ 6,929	$ 81,212	$ 140,277
Cash paid to employees for services	(10,895)	-	(2,128)	(34,230)	(47,253)
Cash paid to suppliers for goods and services	(12,229)	(6,405)	(4,610)	(42,020)	(65,264)
Net cash provided by operating activities	317	22,290	191	4,962	27,760
Cash flows from noncapital financing activities:					
Transfers in	320	-	52	178	550
Net cash provided by noncapital financing activities	320	-	52	178	550
Cash flows from capital and related financing activities:					
Bond sale proceeds	-	38,687	-	-	38,687
Acquisition of capital assets	(569)	-	(11)	(1,967)	(2,547)
Retirement of capital lease obligation	-	(20,550)	-	17	(20,533)
Bond issue costs paid	-	(504)	-	-	(504)
Interest paid on long term debt	-	(8,708)	-	-	(8,708)
Net cash provided by (used in) capital financing activitie	(569)	8,925	(11)	(1,950)	6,395
Cash flows from investing activities:					
Purchases of investments with trustees	-	(56,540)	-	-	(56,540)
Proceeds from sale of investments with trustees	-	21,473	-	-	21,473
Interest income received	-	1,791	-	-	1,791
Other investing activities	(186)	-	(52)	(178)	(416)
Net cash used in investing activities	(186)	(33,276)	(52)	(178)	(33,692)
Increase (decrease) in cash and cash equivalents	(118)	(2,061)	180	3,012	1,013
Cash and cash equivalents - beginning of year	854	25,410	980	5,832	33,076
Cash and cash equivalents - end of year	$ 736	$ 23,349	$ 1,160	$ 8,844	$ 34,089
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ (21)	$ (213)	$ -	$ 847	$ 613
Adjustments for non-cash activities:					
Depreciation and amortization	517	213	57	913	1,700
Changes in assets/liabilities:					
Receivables, net	78	20,550	-	(28)	20,600
Deferred charges & other assets	-	-	-	150	150
Accounts payable	(169)	-	118	3,612	3,561
Accrued payroll	15	-	16	140	171
Accrued vacation and sick leave pay	26	-	-	(118)	(92)
Accrued workers' compensation	-	-	-	(351)	(351)
Due to other funds	(129)	-	-	(48)	(177)
Deferred credits and other liabilities	-	1,740	-	(155)	1,585
Total adjustments	338	22,503	191	4,115	27,147
Net cash provided by operating activities	$ 317	$ 22,290	$ 191	$ 4,962	$ 27,760
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investments with City Treasury	$ 736	$ 289	$ 1,160	$ 8,844	$ 11,029
Restricted deposits and investments outside City Treasury	-	23,060	-	-	23,060
Cash and cash equivalents at end of year on combining statement of cash flows	$ 736	$ 23,349	$ 1,160	$ 8,844	$ 34,089

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units.

Trust Funds

Employees' Retirement System -- Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System -- Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund -- Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund -- Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund -- Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund -- Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund -- Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds -- Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Fiduciary Net Assets

Fiduciary Funds
Pension and Other Employee Benefit Trust Funds

June 30, 2007

(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
ASSETS			
Deposits and investments with City Treasury	$ 6,532	$ 63,635	$ 70,167
Deposits and investments outside City Treasury:			
Cash and deposits	70,495	-	70,495
Short term bills and notes	1,426,876	-	1,426,876
Debt securities	4,254,683	-	4,254,683
Equity securities	8,835,816	-	8,835,816
Real estate	1,698,685	-	1,698,685
Venture capital	1,604,653	-	1,604,653
Foreign currency contracts, net	10,466	-	10,466
Receivables:			
Employer and employee contributions	11,689	15,596	27,285
Brokers, general partners and others	853,921	-	853,921
Interest and other	50,249	7,242	57,491
Invested securities lending collateral	2,220,679	-	2,220,679
Total assets	21,044,744	86,473	21,131,217
Liabilities			
Accounts payable	13,714	1,420	15,134
Estimated claims payable	-	10,025	10,025
Obligations under fixed coupon dollar reverse repurchase agreements	468,164	-	468,164
Payable to brokers	1,390,144	-	1,390,144
Securities lending collateral	2,220,679	-	2,220,679
Deferred credits and other liabilities	-	31,128	31,128
Total liabilities	4,092,701	42,573	4,135,274
Net Assets			
Held in trust for pension benefits and other purposes	$ 16,952,043	$ 43,900	$ 16,995,943

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds
Pension and Other Employee Benefit Trust Funds

Year ended June 30, 2007

(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
Additions:			
Employees' contributions	$ 175,747	$ 76,615	$ 252,362
Employer contributions	132,601	444,104	576,705
Total contributions	308,348	520,719	829,067
Investment income:			
Interest	239,088	2,411	241,499
Dividends	167,408	-	167,408
Net increase in fair value of investments	2,424,598	20	2,424,618
Securities lending income	106,208	-	106,208
Fixed coupon dollar reverse repurchase agreement income	27,050	-	27,050
Total investment income	2,964,352	2,431	2,966,783
Less investment expenses:			
Securities lending borrower rebates and expenses	(98,375)	-	(98,375)
Fixed coupon dollar reverse repurchase finance charges and expenses	(25,129)	-	(25,129)
Other expenses	(44,009)	-	(44,009)
Total investment expenses	(167,513)	-	(167,513)
Total additions, net	3,105,187	523,150	3,628,337
Deductions:			
Benefit payments	631,159	521,790	1,152,949
Refunds of contributions	7,645	-	7,645
Administrative expenses	11,362	-	11,362
Total deductions	650,166	521,790	1,171,956
Change in net assets	2,455,021	1,360	2,456,381
Net assets at beginning of year	14,497,022	42,540	14,539,562
Net assets at end of year	$ 16,952,043	$ 43,900	$ 16,995,943

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Year ended June 30, 2007

(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assistance Program Fund				
ASSETS				
Deposits and investments with City Treasury	$ 1,246	$ 7,275	$ 8,457	$ 64
Receivables:				
Interest and other	-	5	4	1
Total assets	$ 1,246	$ 7,280	$ 8,461	$ 65
LIABILITIES				
Accounts payable	$ 50	$ 1,544	$ 1,575	$ 19
Agency obligations	1,196	7,298	8,448	46
Total liabilities	$ 1,246	$ 8,842	$ 10,023	$ 65
Deposits Fund				
ASSETS				
Deposits and investments with City Treasury	$ 33,360	$ 31,942	$ 50,968	$ 14,334
Deposits and investments outside City Treasury	87	2	87	2
Receivables:				
Interest and other	24	49	32	41
Deferred charges and other assets	26,658	-	-	26,658
Total assets	$ 60,129	$ 31,993	$ 51,087	$ 41,035
LIABILITIES				
Accounts payable	$ 761	$ 20,075	$ 19,960	$ 876
Agency obligations	59,368	31,206	50,415	40,159
Total liabilities	$ 60,129	$ 51,281	$ 70,375	$ 41,035
Payroll Deduction Fund				
ASSETS				
Deposits and investments with City Treasury	$ 6,016	$ 1,862	$ -	$ 7,878
Receivables:				
Employer and employee contributions	35,151	5,451	-	40,602
Total assets	$ 41,167	$ 7,313	$ -	$ 48,480
LIABILITIES				
Accounts payable	$ 40,819	$ 952	$ -	$ 41,771
Agency obligations	348	6,525	164	6,709
Total liabilities	$ 41,167	$ 7,477	$ 164	$ 48,480

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
State Revenue Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 606	$ 2,285	$ 2,392	$ 499
Deposits and investments outside City Treasury	10	1	10	1
Total assets	$ 616	$ 2,286	$ 2,402	$ 500
LIABILITIES				
Accounts payable	$ 273	$ 2,268	$ 2,422	$ 119
Agency obligations	343	2,402	2,364	381
Total liabilities	$ 616	$ 4,670	$ 4,786	$ 500
Tax Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 36,144	$2,100,536	$2,123,277	$ 13,403
Receivables:				
Interest and other	109,446	143,105	109,344	143,207
Total assets	$ 145,590	$2,243,641	$2,232,621	$ 156,610
LIABILITIES				
Accounts payable	$ 5,077	$ 53,233	$ 55,823	$ 2,487
Agency obligations	140,513	1,583,525	1,569,915	154,123
Total liabilities	$ 145,590	$1,636,758	$1,625,738	$ 156,610
Transit Fund				
ASSETS				
Deposits and investments with City Treasury	$ 6,923	$ 49,886	$ 55,136	$ 1,673
Receivables:				
Interest and other	21	195	185	31
Total assets	$ 6,944	$ 50,081	$ 55,321	$ 1,704
LIABILITIES				
Accounts payable	$ 1,328	$ 14,760	$ 16,088	$ -
Agency obligations	5,616	36,066	39,978	1,704
Total liabilities	$ 6,944	$ 50,826	$ 56,066	$ 1,704

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Other Agency Funds				
ASSETS				
Deposits and investments with City Treasury	$ 15,830	$ 112,615	$ 105,402	$ 23,043
Deposits and investments outside City Treasury	23	11	23	11
Receivables:				
Interest and other	227	493	374	346
Total assets	$ 16,080	$ 113,119	$ 105,799	$ 23,400
LIABILITIES				
Accounts payable	$ 5,238	$ 99,371	$ 97,776	$ 6,833
Agency obligations	10,842	106,788	101,063	16,567
Total liabilities	$ 16,080	$ 206,159	$ 198,839	$ 23,400
Total Agency Funds				
ASSETS				
Deposits and investments with City Treasury	$ 100,125	$ 2,306,401	$ 2,345,632	$ 60,894
Deposits and investments outside City Treasury	120	14	120	14
Receivables:				
Employer and employee contributions	35,151	5,451	-	40,602
Interest and other	109,718	143,847	109,939	143,626
Deferred charges and other assets	26,658	-	-	26,658
Total assets	$ 271,772	$ 2,455,713	$ 2,455,691	$ 271,794
LIABILITIES				
Accounts payable	$ 53,546	$ 192,203	$ 193,644	$ 52,105
Agency obligations	218,226	1,773,810	1,772,347	219,689
Total liabilities	$ 271,772	$ 1,966,013	$ 1,965,991	$ 271,794

Statistical Section

Photo by Lewis Sommer, San Francisco Convention & Visitors Bureau

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Pages 184-191)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 192-195)

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (Pages 196-201)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (Pages 202-203)

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. (Pages 204-206)

Sources:
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in 2001; schedules presenting government-wide data include information beginning in that year.

CITY AND COUNTY OF SAN FRANCISCO

NET ASSETS BY COMPONENT

Last Seven Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year						
	2001 [1]	2002 [2]	2003 [3]	2004	2005	2006	2007
Governmental activities							
Invested in capital assets, net of related debt	$ 779,698	$ 887,667	$ 983,834	$ 1,096,834	$ 1,159,696	$ 1,438,010	$ 1,454,614
Restricted for:							
Cash and emergencies requirements by Charter [4]	97,491	93,293	59,337	55,139	-	-	-
Reserve for rainy day	-	-	-	-	48,139	121,976	133,622
Debt service	10,855	12,135	7,795	9,996	46,575	53,076	28,310
Capital projects	118,549	115,052	86,912	48,313	25,101	10,589	19,128
Community development	181,264	135,308	158,591	163,875	208,532	71,207	63,043
Transportation Authority activities	162,037	142,740	149,070	135,466	75,282	23,727	10,390
Other purposes	153,838	219,351	133,233	122,265	138,224	148,071	176,350
Unrestricted (deficit)	(45,402)	(130,525)	(265,950)	(325,147)	(200,467)	(72,038)	(14,446)
Total governmental activities net assets	$ 1,458,330	$ 1,475,021	$ 1,312,822	$ 1,306,741	$ 1,501,082	$ 1,794,618	$ 1,871,011
Business-type activities							
Invested in capital assets, net of related debt	$ 2,970,198	$ 3,115,392	$ 3,273,449	$ 3,416,154	$ 3,391,450	$ 3,438,397	$ 3,795,006
Restricted for:							
Debt service	276,392	334,747	273,242	242,537	202,006	256,055	249,656
Capital projects	189,103	141,154	147,693	128,387	161,231	148,957	75,771
Other purposes	112,335	70,118	61,616	61,241	66,753	32,354	23,709
Unrestricted	578,675	568,599	542,813	464,658	446,039	536,670	567,122
Total business-type activities net assets	$ 4,126,703	$ 4,230,010	$ 4,298,813	$ 4,312,977	$ 4,267,479	$ 4,412,433	$ 4,711,264
Primary government							
Invested in capital assets, net of related debt	$ 3,749,896	$ 4,003,059	$ 4,257,283	$ 4,512,988	$ 4,551,146	$ 4,876,407	$ 5,249,620
Restricted for:							
Cash and emergencies requirements by Charter	97,491	93,293	59,337	55,139	-	-	-
Reserve for rainy day	-	-	-	-	48,139	121,976	133,622
Debt service	287,247	346,882	281,037	252,533	248,581	309,131	277,966
Capital projects	307,652	256,206	234,605	176,700	186,332	159,546	94,899
Community development	181,264	135,308	158,591	163,875	208,532	71,207	63,043
Transportation Authority activities	162,037	142,740	149,070	135,466	75,282	23,727	10,390
Other purposes	266,173	289,469	194,849	183,506	204,977	180,425	200,059
Unrestricted	533,273	438,074	276,863	139,511	245,572	464,632	552,676
Total primary activities net assets	$ 5,585,033	$ 5,705,031	$ 5,611,635	$ 5,619,718	$ 5,768,561	$ 6,207,051	$ 6,582,275

Notes:

(1) Trend data is only available for the last seven fiscal years due to the implementation of GASB Statement 34 in fiscal year 2000-2001.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

(4) The City's Charter was amended in November 2003 and replaced the reserve for cash and emergencies requirements by Charter with the reserve for rainy day.

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET ASSETS

Last Seven Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year						
	2001 [1]	2002 [2]	2003 [3]	2004	2005	2006	2007
Expenses							
Governmental activities:							
Public protection	$ 699,472	$ 717,552	$ 778,710	$ 727,580	$ 738,688	$ 780,642	$ 870,381
Public works, transportation and commerce	309,171	317,778	287,910	169,179	213,335	272,397	309,095
Human welfare and neighborhood development	523,827	586,188	626,306	651,250	619,753	858,396	751,034
Community health	457,500	493,856	542,480	517,066	503,259	478,844	516,321
Culture and recreation	229,721	246,620	242,398	232,187	256,336	244,423	290,547
General administration and finance	107,318	156,770	186,144	183,258	152,850	167,490	185,961
General City responsibilities	109,804	55,551	53,026	73,530	59,024	49,054	67,948
Unallocated Interest on long-term debt	73,588	77,335	77,827	86,131	89,690	94,923	94,060
Total governmental activities expenses	2,510,401	2,651,650	2,794,801	2,640,181	2,632,935	2,946,169	3,085,347
Business-type activities:							
Airport	529,002	599,335	641,036	618,301	628,445	633,102	624,832
Transportation	468,753	528,725	628,180	660,650	711,733	695,593	726,053
Port	47,587	58,694	61,074	61,185	54,897	55,329	61,937
Water	145,858	165,362	186,579	206,211	197,848	213,584	236,824
Power	107,000	113,754	95,427	121,629	116,683	119,146	95,020
Hospitals	513,486	525,045	561,673	562,188	598,160	646,149	714,349
Sewer	149,687	159,896	153,845	150,586	160,650	160,701	168,954
Garages	34,155	32,274	-	-	-	-	-
Market	-	-	894	949	1,055	1,035	1,061
Total business-type activities expenses	1,995,528	2,183,085	2,328,708	2,381,699	2,469,471	2,524,639	2,629,030
Total primary government expenses	$ 4,505,929	$ 4,834,735	$ 5,123,509	$ 5,021,880	$ 5,102,406	$ 5,470,808	$ 5,714,377
Program Revenues							
Governmental activities:							
Charges for services:							
Public protection	$ 43,051	$ 42,254	$ 44,291	$ 40,349	$ 54,805	$ 51,874	$ 58,979
Public works, transportation and commerce	97,432	102,576	84,057	83,176	95,081	113,861	111,364
Human welfare and neighborhood development	12,742	20,292	26,349	23,931	21,375	29,181	56,367
Community health	29,999	36,176	41,906	38,933	44,850	52,183	50,266
Culture and recreation	57,191	47,116	44,629	53,369	64,614	64,720	65,407
General administration and finance	49,977	53,434	36,525	43,585	41,348	55,799	10,502
General City responsibilities	54,329	47,050	41,123	59,609	28,956	31,647	29,604
Operating Grants and Contributions	763,863	781,767	809,670	823,784	834,607	859,919	927,256
Capital Grants and Contributions	22,619	58,394	46,029	39,209	55,435	248,329	50,479
Total Governmental activities program revenues	1,131,203	1,189,059	1,174,579	1,205,945	1,241,071	1,507,513	1,360,224
Business-type activities:							
Charges for services:							
Airport	414,880	465,176	500,116	486,132	477,314	455,342	503,914
Transportation	113,196	107,455	155,656	186,390	187,913	210,692	222,115
Port	50,345	50,494	54,467	56,702	57,519	58,588	61,193
Water	149,917	147,216	170,253	168,260	184,835	201,833	216,531
Power	101,963	125,777	132,190	124,474	132,303	149,500	108,224
Hospitals	398,461	412,874	429,128	453,607	493,596	472,327	515,092
Sewer	141,770	134,595	134,745	137,806	148,888	164,703	193,411
Garages	37,589	35,645	-	-	-	-	-
Market	-	-	1,296	1,413	1,462	1,503	1,567
Operating Grants and Contributions	260,520	282,059	164,257	169,767	180,807	188,672	183,301
Capital Grants and Contributions	335,520	251,747	204,751	94,818	93,724	110,403	150,080
Total business-type activities program revenues	2,004,161	2,013,038	1,946,859	1,879,369	1,958,361	2,013,563	2,155,428
Total primary government program revenues	$ 3,135,364	$ 3,202,097	$ 3,121,438	$ 3,085,314	$ 3,199,432	$ 3,521,076	$ 3,515,652
Net (expenses)/revenue							
Governmental activities	$(1,379,198)	$(1,462,591)	$(1,620,222)	$(1,434,236)	$(1,391,864)	$(1,438,656)	$(1,725,123)
Business-type activities	8,633	(170,047)	(381,849)	(502,330)	(511,110)	(511,076)	(473,602)
Total primary government net expenses	$(1,370,565)	$(1,632,638)	$(2,002,071)	$(1,936,566)	$(1,902,974)	$(1,949,732)	$(2,198,725)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

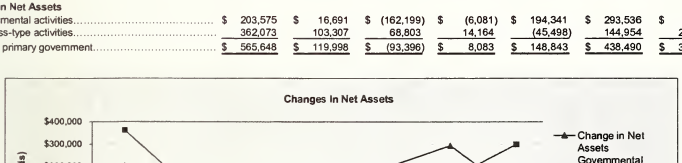
CHANGES IN NET ASSETS (Continued)

Last Seven Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year						
	2001 [1]	2002 [2]	2003 [3]	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	$ 628,846	$ 697,703	$ 686,858	$ 723,786	$ 920,314	$ 1,016,220	$ 1,126,992
Business taxes	277,822	274,848	276,651	264,832	292,763	323,153	337,592
Other local taxes	581,480	444,590	450,677	509,455	538,085	595,664	668,824
Interest and investment income	81,084	70,597	26,332	11,856	29,490	71,129	86,233
Other	115,695	115,943	196,496	170,163	47,153	56,022	33,046
Transfers - internal activities of primary government	(102,154)	(124,399)	(178,991)	(251,937)	(241,600)	(329,996)	(451,171)
Total governmental activities	1,582,773	1,479,282	1,458,023	1,428,155	1,586,205	1,732,192	1,801,516
Business-type activities:							
Interest and investment income	96,493	63,530	50,215	17,620	33,268	53,161	85,692
Other	28,779	85,425	188,446	237,692	237,102	272,873	218,184
Special item	126,014	-	33,000	9,245	(46,358)	-	17,386
Transfers - internal activities of primary government	102,154	124,399	178,991	251,937	241,600	329,996	451,171
Total business-type activities	353,440	273,354	450,652	516,494	465,612	656,030	772,433
Total primary government	$ 1,936,213	$ 1,752,636	$ 1,908,675	$ 1,944,649	$ 2,051,817	$ 2,388,222	$ 2,573,949
Change in Net Assets							
Governmental activities	$ 203,575	$ 16,691	$ (162,199)	$ (6,081)	$ 194,341	$ 293,536	$ 76,393
Business-type activities	362,073	103,307	68,803	14,164	(45,498)	144,954	298,831
Total primary government	$ 565,648	$ 119,998	$ (93,396)	$ 8,083	$ 148,843	$ 438,490	$ 375,224



Notes:

(1) Trend data is only available for the last seven fiscal years due to the implementation of GASB Statement 34 in fiscal year 2000-2001.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

CITY AND COUNTY OF SAN FRANCISCO

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	1998	1999	2000 [1]	2001	2002 [2]	2003 [3]	2004 [4]	2005	2006	2007 [5]
General Fund										
Reserved by charter for cash and emergency requirements	$ 74,230	$ 80,076	$ 88,125	$ 97,491	$ 97,491	$ 59,337	$ -	$ -	$ -	$ -
Reserved for rainy day	-	-	-	-	-	-	55,139	48,139	121,978	133,822
Reserved for assets not available for appropriation	4,978	5,163	5,576	6,089	6,406	8,768	7,142	9,031	10,710	12,885
Reserved for encumbrances	49,707	43,802	32,808	37,743	52,735	43,195	42,501	57,762	38,159	80,948
Reserved for appropriation carryforward	40,253	50,284	74,051	77,060	61,716	26,880	35,754	36,198	124,009	181,127
Reserved for subsequent years' budgets	7,121	28,013	29,990	53,337	25,379	15,414	6,242	22,351	27,451	32,062
Unreserved	44,261	35,725	45,090	207,467	136,664	44,718	63,657	134,199	138,971	141,037
Total general fund	$ 220,550	$ 240,863	$ 275,840	$ 479,187	$ 380,391	$ 198,312	$ 210,435	$ 307,680	$ 461,278	$ 541,461
All other governmental funds										
Reserved for assets not available for appropriation	$ 74,425	$ 54,054	$ 72,433	$ 51,548	$ 41,233	$ 25,906	$ 17,443	$ 17,683	$ 20,202	$ 19,413
Reserved for debt service	28,676	34,785	27,694	63,308	38,548	33,868	18,800	45,540	57,429	51,299
Reserved for encumbrances	324,240	332,258	267,168	373,088	340,591	278,658	142,784	97,920	423,120	288,948
Reserved for appropriation carryforward	355,179	282,711	330,687	446,211	285,508	227,818	287,690	549,571	294,340	292,234
Reserved for subsequent years' budgets	-	1,660	3,520	9,664	18,604	8,004	8,005	8,004	8,004	8,004
Unreserved reported in:										
Special revenue funds	58,731	48,119	40,790	54,018	97,167	67,988	19,043	30,809	35,243	47,445
Capital projects funds	17,730	32,658	44,729	11,829	44,487	40,561	10,048	7,193	13,662	(373)
Permanent fund	-	-	-	4,084	4,433	4,227	3,328	3,856	2,308	3,508
Fiduciary funds	3,755	3,578	5,083	-	-	-	-	-	-	-
Total other governmental funds	$ 862,736	$ 789,821	$ 792,104	$ 1,013,530	$ 868,571	$ 687,028	$ 507,139	$ 760,576	$ 854,308	$ 710,478

Notes:

(1) Through fiscal year 1999-2000, Expendable Trust Funds were reported as part of Fiduciary Fund Types. Due to the implementation of GASB Statement 34 in fiscal year 2000-2001, Expendable Trust Funds were reported as Special Revenue and Permanent Fund Types.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for In the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

(4) The City's Charter was amended in November 2003 and replaced the requirements for a cash requirement reserve and an emergency reserve with the rainy day reserve.

(5) The change in reserved and unreserved fund balance in fiscal year 2006-2007 is explained in Management's Discussion and Analysis.

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	1998	1999	2000 [1]	2001 [2]	2002 [3]	2003 [4]	2004	2005 [5]	2006	2007
Revenues:										
Property taxes	$ 479,912	$ 527,176	$ 544,210	$ 627,654	$ 687,150	$ 686,154	$ 721,437	$ 918,645	$ 1,008,151	$ 1,107,864
Business taxes	223,647	229,905	267,918	277,822	274,848	276,651	264,832	292,763	323,153	337,592
Other local taxes	445,628	481,362	547,470	581,480	444,590	450,677	509,455	538,085	595,664	668,824
Licenses, permits and franchises	18,564	20,685	21,025	23,503	25,762	21,648	23,788	25,942	27,662	27,428
Fines, forfeitures and penalties	6,103	19,800	12,658	12,773	12,045	9,000	25,183	12,509	14,449	8,871
Interest and investment income	76,674	56,023	60,542	91,429	65,597	25,570	11,630	28,268	70,046	83,846
Rent and concessions	65,701	61,516	72,948	75,382	63,623	55,369	58,979	49,450	52,426	52,493
Intergovernmental:										
Federal	249,860	260,696	288,537	296,758	307,943	320,254	344,155	348,764	350,985	381,688
State	479,001	468,968	555,750	575,361	608,804	690,271	630,953	522,937	565,989	582,666
Other	195	2,562	4,695	6,245	33,924	24,623	18,259	25,783	23,500	15,689
Charges for services	167,658	161,689	186,733	215,412	225,547	221,883	217,647	241,750	263,994	273,057
Other	15,384	22,577	18,834	31,119	26,405	27,092	57,144	57,487	61,565	44,084
Total revenues	2,228,327	2,312,959	2,581,320	2,814,938	2,776,238	2,809,192	2,883,462	3,062,383	3,357,584	3,584,102
Expenditures										
Public protection	617,756	592,833	632,737	672,119	690,050	734,811	706,758	738,494	787,398	865,556
Public works, transportation and commerce	134,601	169,514	231,991	299,949	296,411	267,034	165,555	195,896	274,669	280,907
Human welfare and neighborhood development	415,636	522,487	515,007	557,242	613,133	670,670	662,948	644,899	697,102	740,171
Community health	430,501	455,162	434,386	454,975	484,826	524,771	512,914	501,050	471,741	509,844
Culture and recreation	189,743	266,879	204,081	233,863	238,326	252,477	273,163	239,022	256,979	286,135
General administration and finance	149,709	174,930	174,999	150,482	164,745	163,748	153,709	135,118	161,195	167,505
General City responsibilities	-	-	45,194	109,753	54,628	53,323	74,623	62,799	53,763	57,532
Debt service:										
Principal retirement	67,535	52,715	63,596	69,870	69,536	100,902	78,831	80,306	86,970	98,169
Interest and fiscal charges	48,017	56,823	60,650	68,367	68,111	64,243	61,886	61,524	75,975	71,266
Bond issuance costs	-	-	-	7,368	2,987	1,646	1,350	4,842	1,933	3,683
Capital outlay	218,401	244,070	188,793	170,472	276,662	248,928	165,872	130,224	153,493	283,370
Total expenditures	2,271,899	2,535,413	2,551,434	2,794,460	2,959,415	3,082,553	2,857,609	2,794,174	3,021,218	3,364,138
Excess (deficiency) of revenues over expenditures	(43,572)	(222,454)	29,886	20,478	(183,177)	(273,361)	25,853	268,209	336,366	219,964

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	1998	1999	2000 [1]	2001 [2]	2002 [3]	2003 [4]	2004	2005 [5]	2006	2007
Other financing sources (uses):										
Transfer in	297,031	275,205	340,880	261,957	267,107	226,520	204,660	271,553	224,523	217,298
Transfer out	(254,228)	(290,639)	(428,615)	(365,178)	(536,680)	(423,936)	(456,852)	(513,423)	(555,155)	(668,847)
Issuance of bonds and loans:										
Face value of bonds issued	574,542	200,450	94,909	394,040	249,995	71,310	116,645	346,225	219,120	312,955
Face value of loans issued	-	-	-	803	3,095	323	2,156	500	5,359	141
Premium on issuance of bonds	-	-	-	(2,773)	(238)	-	1,411	11,989	10,233	3,521
Discount on issuance of bonds	-	-	-	-	-	-	-	-	-	(1,856)
Payment to refunded bond escrow agent	(450,941)	(28,229)	-	-	(136,230)	-	(65,802)	(38,913)	-	(159,610)
Other financing sources - capital leases	237	-	-	-	92,373	33,520	6,165	4,542	6,882	12,789
Total other financing sources (uses)	166,641	156,787	7,174	288,849	(60,578)	(92,263)	(191,617)	82,473	(89,038)	(283,609)
Net change in fund balances	$ 123,069	$ (65,667)	$ 37,060	$ 309,327	$ (243,755)	$ (365,624)	$ (165,764)	$ 350,682	$ 247,328	$ (63,645)
Debt service as a percentage of noncapital expenditures	5.63%	4.78%	5.26%	5.55%	5.24%	5.89%	5.28%	5.51%	5.75%	5.62%
Debt service as a percentage of total expenditures	5.09%	4.32%	4.87%	5.21%	4.75%	5.41%	4.97%	5.25%	5.46%	5.15%

Notes:

(1) Through fiscal year 1999-2000, Expendable Trust Funds were reported as part of Fiduciary Fund Types. Due to the implementation of GASB Statement 34 in fiscal year 2000-2001, Expendable Trust Funds were reported as Special Revenue and Permanent Fund Types.

(2) Prior to fiscal year 2000-2001, bond issuance discounts and premiums were included in the face values of bonds issued.

(3) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(4) For General Obligation Bonds authorized and issued prior to the passage of Proposition 39 in 2003, transfer of the proceeds to San Francisco Community College District and San Francisco Unified School District was included as Human Welfare & Neighborhood Development expenditures.

(5) Prior to fiscal year 2004-2005, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-2005, they were recorded as transfers.

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY [1][3][4]

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Assessed Value			Exemptions [2]			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Total	Non-reimbursable	Reimbursable	Redevelopment Tax Increments		
1998 [3]	$59,010,846	$2,585,594	$61,596,440	$2,331,980	$668,877	$3,343,618	$55,251,965	1.00%
1999 [4]	61,700,799	4,010,092	65,710,891	2,663,293	668,010	2,672,017	59,707,571	1.00%
2000 [4]	66,859,683	4,384,155	71,243,838	2,783,904	666,747	2,844,489	64,948,698	1.00%
2001 [4]	73,712,384	7,807,032	81,519,416	2,800,943	670,468	3,175,792	74,872,213	1.00%
2002 [4]	88,866,299	4,686,951	93,553,250	3,129,961	665,145	5,291,437	84,466,707	1.00%
2003 [4]	93,467,166	4,639,579	98,106,745	3,407,736	671,640	3,777,328	90,250,041	1.00%
2004 [4]	99,878,960	3,848,851	103,727,811	3,706,357	689,558	3,892,143	95,439,753	1.00%
2005 [4]	106,805,910	3,736,998	110,542,908	4,017,052	678,120	5,199,856	100,647,880	1.00%
2006 [4]	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%
2007 [4]	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%

Source:

Controller, City and County of San Francisco

Notes:

(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.

(2) Exemptions are summarized as follows:

(a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).

(b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).

(c) Tax increments are allocations made to the San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the Redevelopment Agency.

(3) Based on certified assessed values.

(4) Based on year end actual assessed values.

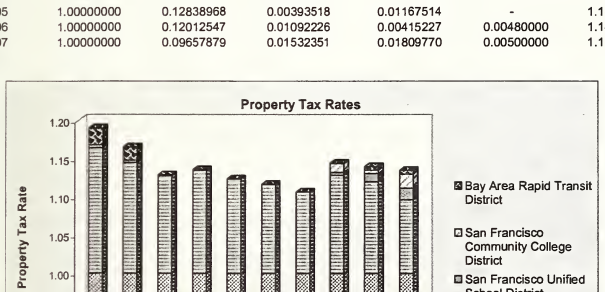
CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate Per $1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate [1]	Overlapping Rates				Total
		Debt Service Fund [2]	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	
1998	$ 1.00000000	$ 0.16430174	$ 0.00369826	$ -	$ 0.02200000	$ 1.1900
1999	1.00000000	0.14493925	0.00338075	-	0.01668000	1.1650
2000	1.00000000	0.12766122	0.00133878	-	-	1.1290
2001	1.00000000	0.13481356	0.00118644	-	-	1.1360
2002	1.00000000	0.12359506	0.00040494	-	-	1.1240
2003	1.00000000	0.11671113	0.00028887	-	-	1.1170
2004	1.00000000	0.10682335	0.00017665	-	-	1.1070
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350



Notes:

(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL PROPERTY ASSESSEES

Current Fiscal Year and Nine Fiscal Years Ago

(In Thousands)

		Fiscal Year 2007			Fiscal Year 1998		
Assessee	Type of Business	Taxable Assessed Value [1]	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value [2][3]
HWA 555 Owners LLC	Office, Commercial	$ 868,020	1	0.74%	$ -		-
EOP - One Market LLC	Office, Commercial	433,499	2	0.37	-		-
Marriott Hotel	Hotel	405,542	3	0.35	285,257	5	0.46
Four Embarcadero Center Venture	Office, Commercial	365,081	4	0.31	-		-
Post-Montgomery Associates	Office, Commercial	355,945	5	0.30	-		-
One Embarcadero Center Venture	Office, Commercial	314,699	6	0.27	-		-
Three Embarcadero Center Venture	Office, Commercial	296,043	7	0.25	-		-
Embarcadero Center Associates	Office, Commercial	294,873	8	0.25	570,448	3	0.93
Emponum Mall LLC	Shopping Center	293,703	9	0.25	-		-
101 California Venture	Office, Commercial	293,372	10	0.25	238,680	6	0.39
Pacific Gas and Electric Company	Utilities				1,082,815	1	1.76
SBC California (Formerly Pacific Bell)	Utilities				778,800	2	1.26
555 California Street Partners	Office, Commercial				561,056	4	0.91
ZML One Market Ltd Partnership	Office, Commercial				235,141	7	0.38
San Francisco Hilton Joint Venture	Hotel				213,791	8	0.35
Viacom Cablevision	Cable TV, Possessory Interest, Personal Property				205,301	9	0.33
Westin St. Francis Ltd.	Hotel				196,094	10	0.32
Total		$ 3,920,777		3.34%	$4,367,383		7.09%

Source: Assessor, City and County of San Francisco

Notes:

(1) Data for fiscal year 2006-2007 updated as of June 27, 2007.

(2) Assessed values for fiscal years 2006-2007 and 1997-1998 are from the tax rolls of calendar years 2006 and 1997, respectively.

(3) Reflects revised calculations due to GASB 44 implementation.

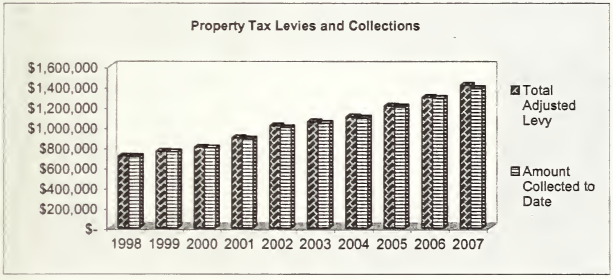
CITY AND COUNTY OF SAN FRANCISCO

PROPERTY TAX LEVIES AND COLLECTIONS [1][2]

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years [3]	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
1998	$ 709,852	$ 697,755	98.30%	$ 8,917	$ 706,672	99.55%
1999	757,899	742,774	98.00	8,719	751,493	99.15
2000	799,385	784,984	98.20	6,153	791,137	98.97
2001	892,675	877,170	98.26	3,526	880,696	98.66
2002	1,010,960	985,838	97.52	7,366	993,204	98.24
2003	1,051,921	1,028,649	97.79	5,766	1,034,415	98.34
2004	1,100,951	1,079,354	98.04	9,092	1,088,446	98.86
2005	1,208,044	1,179,959	97.68	18,010	1,197,969	99.17
2006	1,291,491	1,263,396	97.82	17,524	1,280,920	99.18
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65



Source: Controller, City and County of San Francisco

Notes:

(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District and San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

(3) Collections in subsequent years reflect assessment appeals reduction.

CITY AND COUNTY OF SAN FRANCISCO

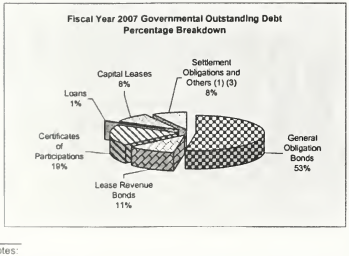
RATIOS OF OUTSTANDING DEBT BY TYPE

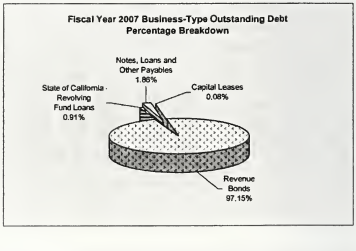
Last Ten Fiscal Years

(In Thousands, except per capita amount)

	Governmental Activities									
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations	Loans	Capital Leases	Settlement Obligations and Others [1] [3]	Subtotal			
1998.....	$ 807,300	$ 111,935	$ 89,456	$ 256	$ 3,787	$ -	$ 1,012,734			
1999.....	886,260	157,585	86,617	9,385	3,299	-	1,143,146			
2000.....	911,625	151,165	91,926	17,313	2,507	-	1,174,536			
2001.....	953,535	302,405	225,707	15,816	232,485	-	1,729,948			
2002.....	917,220	293,810	259,360	13,007	226,541	54,820	1,764,758			
2003.....	859,625	252,035	296,135	9,278	212,649	49,470	1,679,192			
2004.....	844,350	245,680	290,635	9,515	194,815	94,275	1,679,270			
2005.....	1,086,355	230,620	283,320	7,961	198,703	188,670	1,995,629			
2006.....	1,232,205	231,265	276,160	12,377	190,279	182,955	2,125,241			
2007.....	1,155,944	249,550	420,620	11,640	185,736	177,095	2,200,585			

	Business-Type Activities [1] [2]									
Fiscal Year	Revenue Bonds	General Obligation Bonds	State of California - Revolving Fund Loans	Commercial Paper	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income [4]	Per Capita [4]
1998....	$ 3,428,048	$ 13,915	$ 178,604	$ 103,065	$ 13,521	$ 4,610	$ 3,741,763	$ 4,754,497	14.17%	$ 6,307
1999....	4,116,131	6,430	167,730	199,775	11,492	2,137	4,503,695	5,646,841	14.91	7,407
2000....	4,316,452	4,400	180,295	271,650	10,628	1,888	4,785,313	5,959,849	13.91	7,690
2001....	4,501,515	3,200	193,597	472,541	12,267	779	5,183,899	6,913,847	15.80	8,818
2002....	5,177,760	2,000	179,591	90,000	4,076	1,342	5,454,769	7,219,527	16.83	9,151
2003....	5,284,535	800	165,125	-	29,592	4,210	5,484,262	7,163,454	16.24	9,050
2004....	5,167,405	400	150,196	25,000	27,280	4,891	5,375,172	7,054,442	14.97	8,895
2005....	5,084,426	-	134,783	80,000	24,529	4,754	5,328,492	7,324,121	14.58	9,209
2006....	5,506,030	-	118,868	-	20,017	5,522	5,650,437	7,775,678	14.49	9,718
2007....	5,353,720	-	102,438	50,000	15,292	4,499	5,525,949	7,726,534	13.72	9,553





Notes:

(1) Through fiscal year 1999-2000, business-type revenue bonds were reported net of deferred amount on discount and unamortized bond premium. Upon the implementation of GASB 34 in fiscal year 2000-2001, business type revenue bonds excluded deferred amount on refunding and unamortized bond premium.

(2) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities.

(3) Includes commercial paper issued by San Francisco County Transportation Authority .

(4) See Demographic and Economic Statistics, page 202, for personal income and population data.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds [1]	Less: Amounts Restricted for Debt Service [1]	Total	Per Capita [2]
1998	$ 807,300	$ 5,151	$ 802,149	$ 1,064
1999	886,260	10,323	875,937	1,149
2000	911,625	6,168	905,457	1,168
2001	953,535	14,809	938,726	1,197
2002	917,220	20,395	896,825	1,137
2003	859,625	13,304	846,321	1,069
2004	844,350	1,533	842,817	1,063
2005	1,086,355	33,774	1,052,581	1,323
2006	1,232,205	46,929	1,185,276	1,481
2007	1,155,944	35,249	1,120,695	1,386

Notes:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) Population data can be found in Demographic and Economic Statistics, page 202.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(In Thousands)

	1998	1999	2000	2001	2002
Debt limit	$ 1,777,934	$ 1,940,012	$ 2,053,798	$ 2,361,554	$ 2,712,699
Total net debt applicable to limit	807,300	886,260	911,625	953,535	917,220
Legal debt margin	$ 970,634	$ 1,053,752	$ 1,142,173	$ 1,408,019	$ 1,795,479
Total net debt applicable to the limit as a percentage of debt limit	45.41%	45.68%	44.39%	40.38%	33.81%

	2003	2004	2005	2006	2007
Debt limit	$ 2,840,970	$ 3,000,644	$ 3,195,776	$ 3,419,607	$ 3,749,434
Total net debt applicable to limit	859,625	844,350	1,086,355	1,232,205	1,155,944
Legal debt margin	$ 1,981,345	$ 2,156,294	$ 2,109,421	$ 2,187,402	$ 2,593,490
Total net debt applicable to the limit as a percentage of debt limit	30.26%	28.14%	33.99%	36.03%	30.83%

Legal Debt Margin Calculation for Fiscal Year 2007

Total assessed value	$ 129,598,998
Less: non-reimbursable exemptions [1]	4,617,851
Assessed value [1]	$ 124,981,147
Debt limit (three percent of valuation subject to taxation [2])	$ 3,749,434
Debt applicable to limit:	
Less: general obligation bonds	1,155,944
Legal debt margin	$ 2,593,490

Source:

(1) Assessor, City and County of San Francisco

Note:

(2) City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.

"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING DEBT

June 30, 2007

District	Total General Debt Outstanding	Estimated Percentage Applicable to City and County [1]	Estimated Share of Overlapping Debt
Bay Area Rapid Transit District	$ 87,185,000	29.00%	$ 25,283,650
San Francisco Unified School District	363,680,000	100.00	363,680,000
San Francisco Community College District	264,370,000	100.00	264,370,000
Subtotal, overlapping debt			653,333,650
City and County of San Francisco direct debt			1,155,943,793
Total net direct and overlapping debt			$ 1,809,277,443
Population - 2007 [2]			808,844
			$ 2,236.87

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the district's boundaries and dividing it by the City's total taxable assessed value.

(2) Source: Department of Finance, State of California

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(In Thousands)

San Francisco International Airport [1]

Fiscal Year	Operating Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 295,150	$ 165,929	$ 129,221	$ 15,520	$ 68,956	$ 84,476	1.53
1999	340,646	189,017	151,629	18,250	93,596	111,846	1.36
2000	403,281	197,175	206,106	19,835	136,413	156,248	1.32
2001	463,488	261,061	202,427	21,215	177,800	199,015	1.02
2002	496,688	266,299	230,389	27,290	213,663	240,953	0.96
2003	533,253	295,672	237,581	52,260	224,364	276,624	0.86
2004	493,682	235,765	257,917	70,630	221,208	291,838	0.88
2005	496,485	253,931	242,554	78,555	207,430	285,985	0.85
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77
2007	540,186	284,692	255,494	79,415	192,746	272,161	0.94

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Resolution which authorized the sale and issuance of these bonds.

(2) Operating revenues consist of Airport operating revenues and interest and investment income.

(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation or amortization.

San Francisco Water Department [4]

Fiscal Year	Gross Revenues [5]	Less: Operating Expenses [6]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 129,461	$ 82,075	$ 47,386	$ 103,235	$ 17,168	$ 120,403	0.39
1999	138,576	105,494	33,082	6,440	13,918	20,358	1.63
2000	144,220	126,432	17,788	7,415	14,012	21,427	0.83
2001	149,917	127,707	22,210	6,956	14,411	21,367	1.04
2002	147,216	122,521	24,695	7,350	18,686	26,036	0.95
2003	170,253	136,093	34,160	11,789	21,655	33,444	1.02
2004	168,260	152,268	15,992	13,345	24,056	37,401	0.43
2005	184,835	136,341	48,494	14,055	23,658	37,713	1.29
2006	201,833	145,057	56,776	14,790 [7]	20,585	35,375	1.60
2007	216,531	153,663	62,868	16,160	48,955	65,115	0.97

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(5) Gross revenue consists of charges for services, rental income and other income.

(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest, depreciation or amortization.

(7) Principal payment was restated to exclude principal refunding in FY 2006.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges [8]	Less: Operating Expenses [9][10]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 12,938	$ 4,850	$ 8,088	$ 480	$ 1,668	$ 2,148	3.77
1999	13,217	3,131	10,086	505	1,635	2,140	4.71
2000	13,906	4,768	9,138	1,240	1,552	2,792	3.27
2001	13,759	4,642	9,117	1,390	1,459	2,849	3.20
2002	13,354	5,351	8,003	1,440	1,437	2,877	2.78
2003	15,633	6,227	9,406	3,274	2,312	5,586	1.68
2004	25,604	10,430	15,174	4,943	2,854	7,797	1.95
2005	25,823	14,071	11,552	5,193	2,582	7,775	1.49
2006	31,118	14,960	16,156	5,471	2,317	7,788	2.07
2007	31,801	18,907	14,894	5,734	1,989	7,723	1.93

(8) The Parking Authority leased North Beach, Moscone, and San Francisco General Hospital garages to the City. In return, the City pledged to pay off the debt service with its base (lease) rental payment. Gross Meter Revenue consists of revenues from all meters in San Francisco except the meters on Port and Airport properties.

(9) The annual budget for the Parking Program includes the Parking Authority that manages garages and the Parking Meter Program that maintains meters. The operating expense is the year-end total expenditures net of all debt service payments.

(10) Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses related to the pledged revenue stream do not include interest, depreciation or amortization expenses.

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years

(In Thousands)

San Francisco Wastewater Enterprise [11]

Fiscal Year	Gross Revenues [12]	Less: Operating Expenses [13]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 140,898	$ 71,943	$ 68,955	$ 32,027	$ 35,262	$ 67,289	1.02
1999	142,974	71,985	70,989	33,864	34,965	68,829	1.03
2000	145,495	77,104	68,391	31,845	32,395	64,240	1.06
2001	141,770	79,902	61,868	35,270	31,109	66,379	0.93
2002	134,595	90,642	43,953	66,006	30,604	96,610	0.45
2003	134,745	90,808	43,937	69,871	15,820	85,691	0.51
2004	137,806	91,822	45,984	14,929	23,709	38,638	1.19
2005	148,888	101,490	47,398	15,413	21,937	37,350	1.27
2006	164,703	103,726	60,977	15,915	21,438	37,353	1.63
2007	193,411	114,917	78,494	49,875	20,419	70,294	1.12

(11) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(12) Gross revenue consists of charges for services, rental income and other income.

(13) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest, depreciation or amortization.

Port of San Francisco [14]

Fiscal Year	Total Operating Revenues [15]	Less: Operating Expenses [16]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 40,947	$ 24,431	$ 16,516	$ 2,675	$ 2,740	$ 5,415	3.05
1999	45,428	27,111	18,317	2,800	2,614	5,414	3.38
2000	49,127	29,052	20,075	2,930	2,472	5,402	3.72
2001	54,453	37,129	17,324	3,085	2,318	5,403	3.21
2002	53,740	47,759	5,981	3,235	2,156	5,391	1.11
2003	56,241	50,103	6,138	3,405	1,976	5,381	1.14
2004	57,782	49,707	8,075	3,595	1,719	5,314	1.52
2005	59,217	43,786	15,431	3,920	1,012	4,932	3.13
2006	61,581	44,893	16,688	3,390	554	3,944	4.23
2007	65,416	50,887	14,529	3,975	453	4,428	3.28

(14) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(15) Total revenues consist of operating revenues and interest and investment income.

(16) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs. For fiscal years 1997-1998 and 1998-1999 operating expenses, as presented above, includes the debt service obligation of the State of California General Obligation Bonds of $302, and $291, respectively. The State General Obligation Bonds were fully paid in fiscal year 1998-1999.

Total Business-type Activities

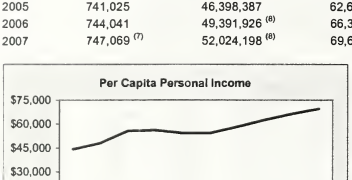
Fiscal Year	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 619,394	$ 349,228	$ 270,166	$ 153,937	$ 125,794	$ 279,731	0.97
1999	680,841	396,738	284,103	61,859	146,728	208,587	1.36
2000	756,029	434,531	321,498	63,265	186,844	250,109	1.29
2001	823,387	510,441	312,946	67,916	227,097	295,013	1.06
2002	845,593	532,572	313,021	105,321	266,546	371,867	0.84
2003	910,125	578,903	331,222	140,599	266,127	406,726	0.81
2004	883,134	539,992	343,142	107,442	273,546	380,988	0.90
2005	915,048	549,619	365,429	117,136	256,619	373,755	0.98
2006	939,906	576,023	363,883	118,691	244,313	363,004	1.00
2007	1,047,345	621,066	426,279	155,159	264,562	419,721	1.02

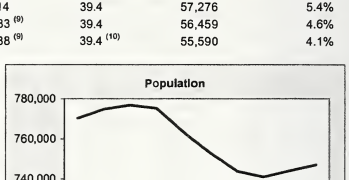
CITY AND COUNTY OF SAN FRANCISCO

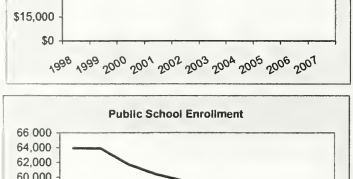
DEMOGRAPHIC AND ECONOMIC STATISTICS

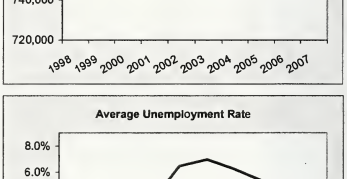
Last Ten Fiscal Years

Fiscal Year	Population [1]	Personal Income (In Thousands) [2]	Per Capita Personal Income [3]	Median Age [4]	Public School Enrollment [5]	Average Unemployment Rate [6]
1998	770,262	34,177,173	44,371	37.9	63,925	3.9%
1999	774,716	37,342,310	48,201	38.7	63,895	3.4%
2000	776,885	43,283,782	55,715	39.1	61,766	3.2%
2001	775,257	43,480,208	56,085	37.3	60,421	3.8%
2002	763,400	41,493,071	54,353	38.3	59,521	6.5%
2003	752,853	40,885,951	54,308	38.3	59,015	7.0%
2004	743,852	43,325,147	58,244	39.2	58,323	6.3%
2005	741,025	46,398,387	62,614	39.4	57,276	5.4%
2006	744,041	49,391,926 [8]	66,383 [9]	39.4	56,459	4.6%
2007	747,069 [7]	52,024,198 [8]	69,638 [9]	39.4 [10]	55,590	4.1%









Sources:

(1) US Census Bureau.
(2) US Bureau of Economic Analysis.
(3) US Bureau of Economic Analysis.
(4) US Census Bureau.
(5) San Francisco Unified School District.
(6) California Employment Development Department.

Note:

(7) 2007 population was estimated by multiplying the 2006 population by the 2005-06 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2006 and 2007 remained at the 2005 level of 3.44 percent.
(9) Per capital personal income for 2006 and 2007 was estimated by dividing the estimated personal income for 2006 and 2007 by the reported and estimated population in 2006 and 2007, respectively.
(10) Median age in 2007 was estimated by averaging the median age in 2005 and 2006.

CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL EMPLOYERS

Current Year and Five Years Ago

	Year 2006 [1]			Year 2001		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco	29,500	1	5.66%	29,610	1	5.85%
University of California, San Francisco	17,500	2	3.36	13,835	2	2.95
Wells Fargo & Co	8,139	3	1.56	6,366	5	1.36
State of California	6,226	4	1.20	11,296	3	2.41
California Pacific Medical Center	6,115	5	1.17	-	-	-
San Francisco Unified School District	5,557	6	1.07	5,579	6	1.19
United States Postal Service	4,935	7	0.95	4,500	10	0.96
PG&E Corporation	4,800	8	0.92	5,000	8	1.07
Gap, Inc	4,075	9	0.78	-	-	-
Kaiser Permanente	3,918	10	0.75	-	-	-
AT&T	-	-	-	5,200	7	1.11
SBC Communications	-	-	-	4,600	9	0.98
Charles Schwab & Co. Inc	-	-	-	9,873	4	2.10
Total	90,765		17.42%	95,859		19.98%

Source: City and County of San Francisco employee count is obtained from the City's Controller's Office, based on fiscal year ending June 30, 2007 and June 30, 2001. All other data is obtained from San Francisco Business Times Book of Lists.

Note:

(1) The latest data as of calendar year 2006 is presented.

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION [1]

Function	Fiscal Year 2000	2001	2002	2003	2004	2005	2006	2007
Public Protection								
Fire Department	1,856	1,864	1,909	1,899	1,835	1,752	1,706	1,665
Police	2,742	2,785	2,748	2,688	2,669	2,616	2,664	2,765
Sheriff	896	892	921	920	937	929	944	939
Other	1,013	1,013	998	982	954	930	958	978
Total Public Protection	6,507	6,554	6,576	6,489	6,395	6,227	6,272	6,347
Public Works, Transportation and Commerce								
Municipal Transportation Agency	4,406	4,525	4,629	4,569	4,518	4,386	4,232	4,374
Airport Commission	1,517	1,578	1,537	1,306	1,214	1,203	1,248	1,220
Department of Public Works	1,004	1,065	1,081	1,077	1,053	1,059	1,035	1,040
Public Utilities Commission	1,376	1,404	1,411	1,513	1,589	1,513	1,573	1,596
Other	516	537	569	546	507	505	532	538
Total Public Works, Transportation and Commerce	8,819	9,109	9,227	9,011	8,881	8,666	8,620	8,768
Community Health								
Public Health	6,133	6,068	6,192	6,309	6,093	5,928	5,956	5,988
Total Community Health	6,133	6,068	6,192	6,309	6,093	5,928	5,956	5,988
Human Welfare and Neighborhood Development								
Human Services	1,706	1,807	1,724	1,744	1,735	1,697	1,663	1,745
Other	245	269	305	316	317	312	306	313
Total Human Welfare and Neighborhood Development	1,951	2,076	2,029	2,060	2,052	2,009	1,969	2,058
Culture and Recreation								
Recreation and Park Commission	1,010	998	1,014	976	1,001	954	916	922
Public Library	594	599	612	613	617	616	606	631
War Memorial	94	94	94	95	95	96	95	96
Other	124	120	130	149	156	149	200	199
Total Culture and Recreation	1,822	1,811	1,850	1,833	1,869	1,815	1,817	1,848
General Administration and Finance								
Administrative Services	417	426	420	401	405	383	378	438
City Attorney	316	334	329	321	319	308	321	324
Telecommunications and Information Services	314	352	333	324	313	276	261	270
Controller	161	165	156	155	141	170	179	184
Human Resources	209	211	215	213	188	172	151	156
Treasurer/Tax Collector	183	182	184	185	192	197	199	208
Mayor	145	77	75	72	56	51	48	51
Other	455	467	470	466	466	454	491	520
Total General Administration and Finance	2,200	2,214	2,182	2,137	2,080	2,011	2,028	2,151
General City Responsibility	-	2	3	4	4	4	3	-
Subtotal annually funded positions	27,432	27,834	28,059	27,843	27,374	26,660	26,665	27,160
Capital project funded positions	848	1,776	1,857	1,875	1,567	1,597	1,588	1,628
Total annually funded positions	28,280	29,610	29,916	29,718	28,941	28,257	28,253	28,788

Source: Controller, City and County of San Francisco

Note

(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Function	Fiscal Year 2001	2002	2003	2004	2005	2006	2007
Public Protection							
Fire and Emergency Communications							
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	N/A	N/A	N/A	8:09	7:59	8:01	8:07
Police							
Median time from dispatch to arrival on scene for highest priority calls	2:34	2:36	2:45	2:58	3:07	3:09	3:15
Number of homicides per 100,000 population	N/A	N/A	N/A	10.8	9.8	12.8	9.6
Percentage of San Franciscans who report feeling safe or very safe crossing the street	34%	42%	45%	45%	50%	N/A	48%
Public Works, Transportation, and Commerce							
General Services Agency - Public Works							
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good	38%	44%	N/A	52%	49%	N/A	49%
Number of blocks of City streets repaved	252	324	292	154	186	267	243
Municipal Transportation Agency							
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	2.70	2.92	3.21	3.20	3.09	N/A	2.84
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points	55.4%	71.9%	70.9%	68.3%	70.7%	69.2%	70.8%
Percentage of scheduled service hours delivered	94.4%	97.8%	96.5%	97.2%	95.3%	92.7%	94.3%
Airport							
Percent change in air passenger volume	-3.6%	-20.1%	-5.9%	5.3%	5.5%	1.5%	2.8%
Human Welfare and Neighborhood Development							
Environment							
Percentage of total solid waste materials diverted in a calendar year	42%	46%	52%	63%	67%	67%	69%
Culture and Recreation							
Recreation and Park							
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good	65%	64%	67%	67%	62%	N/A	57%
Citywide percentage of park maintenance standards met for all parks inspected	N/A	N/A	N/A	N/A	N/A	83%	86%
Public Library							
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	76%	77%	79%	81%	76%	N/A	75%
Circulation of materials at San Francisco libraries	5,409,585	6,259,092	6,793,335	6,755,843	7,279,926	7,459,821	7,685,892
Asian and Fine Arts Museums							
Number of visitors to City-owned art museums [1]	962,090	453,117	727,437	763,242	696,271	1,546,617	991,457

Source: Controller, City and County of San Francisco

Notes:

(1) Construction was completed for the new de Young Museum by the end of fiscal year 2004-2005, and the museum opened in October 2005.

N/A = Information is not available

CITY AND COUNTY OF SAN FRANCISCO

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police protection (1)										
Number of stations	10	10	10	11	11	11	10	10	10	10
Number of police officers	2,167	2,180	2,229	2,321	2,449	2,388	2,170	2,180	2,070	2,304
Fire protection (2)										
Number of stations	41	43	45	45	45	45	45	45	48	42
Number of firefighters	1,559	1,586	1,654	1,804	1,800	1,795	1,690	1,675	1,333	1,012
Public works										
Mile of street (3)	945	945	989	989	1,044	1,252	1,050	1,050	1,051	1,051
Number of streetlights (4)	40,265	40,957	41,052	41,066	42,363	41,042	41,031	41,431	41,571	42,029
Water (4)										
Number of services	164,211	164,495	171,978	174,427	174,873	175,278	165,122	175,000	176,351	176,758
Average daily consumption (million gallons)	237.9	248.7	253.2	255.3	249.4	247.0	273.9	247.0	239.4	250.8
Mile of water mains	1,483	1,483	1,440	1,520	1,520	1,503	1,455	1,475	1,485	1,485
Sewers (4)										
Mile of collecting sewers	750	887.5	900	900	900	903	903	903	903	903
Mile of transport/storage sewers	150	16.5	16.5	16.5	15	15	15	15	15	15
Recreation and cultures										
Number of parks (5)	227	227	227	228	230	230	209	210	220	209
Number of libraries (6)	27	27	27	27	27	27	27	27	27	28
Number of library volumes (million) (6)	2.4	2.1	2.1	2.2	2.2	2.3	2.1	2.4	2.6	2.7
Public school education (7)										
Attendance centers	117	117	116	116	113	118	118	119	117	112
Number of classrooms	2,698	2,698	2,698	3,200	3,428	3,418	3,439	3,434	3,390	3,256
Number of teachers, full-time equivalent	3,242	2,094	2,671	3,260	3,272	3,362	3,138	3,171	3,103	3,103
Number of students	66,679	65,540	63,895	62,569	60,421	59,521	57,805	57,144	56,236	55,497

Sources:

(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

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